Thursday June 29 1989

FINANCIALTIM

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#### World News Police row in Grenada erupts into killings

Simmering disagreement within the leadership of the within the leadership of the police force on the eastern Caribbeen island of Grenada erupted in a shooting incident which left the island's police commissioner, the assistant commissioner, and a US government official dead. Another senior official was injured it was the worst violent incident since the US invasion in 1983. since the US invasion in 1983. Page 3

China recalls envoys China has recalled all its ambassadors for a special con-ference in Peking, probably to discuss how the country's international image can be repaired. Page 16

Polish strike

LINE SECTION OF THE S

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RESERVE FIGHTE

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203 [

2 P. A.

Bus and tram drivers in Byd-goszcz, Poland, stopped work to demand higher wages in the first important strike since Solidarity's election success.

PM faces defeat Charles Haughey, Ireland's Prime Minister, seems likely to be defeated in a vote today in the Dail, or parliament, on his continued leadership of the country. Page 2

EC milk row near Controversy over bovine sometotropin - the powerful hormone which manufacturers claim can stimulate milk yield is set to erupt next week when the EC adopts a plan to ban ft. Page 28

Offer to Communists Greek communists have been given three days to try to forge a coalition Government, although a fresh election is

UK strike threat A 24-hour national train strike would repeat the walkout every week until it wins its pay claim. Page 3

**National Party plan** South Africa's ruling National Party unveiled a five year plan on which it will base both its campaign for re-election and its strategy for a negotiated black-white power sharing

agreement, Page 4 Neutral venue plan Three Arab leaders, continuing a desultory effort to resolve Lehanon's civil war, are trying to arrange a meeting of the Lebanese parliament outside the country to discuss political

reforms. Page 4 Swapo accuses SA Sam Nujoma, leader of the South West Africa People's Organisation accused South Africa of using members of a counter-insurgency unit to intimidate voters in Namibia

**Tunisian amnesty** Tunisian parliament ratified a general sumesty bill restor-ing civil rights to 5,416 people.

Gas blast kills 22 Gas explosion killed 22 people in a coal mine at Xinbi in China's northeastern Shanzi

A bridge too far Paris Mayor Jacques Chirac . appealed to the military to drop plans to install anti-aireraft gums on a road bridge over the River Seine to protect next month's Western summit.

#### Business Summary **GEC** profit rise sets stage for

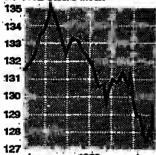
Pre-tax profits at the General Electric Company, Britain's largest electrical and electron-ics group, rose by 13 per cent last year as the company regis-tered strong performances in its office equipment, electronic measurement and power systems divisions.

With the figures at the ton

bed new bid for the Pleasey electronics company. Page 17;

turity government bonds dropped briefly below 10 per cent as the market rallied smid

FT-A All Stocks Index



1989

sharp rally. The market retreated in the afternoon as starling lost its early strength. International Capital Markets, Section II

Makeuzzi, varea ann Cabassi, Italian groups, are to bring together many of their interests in publishing, insur-suce and property in a single holding company to be quoted on the Milan stock exchange. Page 17

JAPAN: Industrial production

sion. Page 4 DATMLER-BENZ, West Ger-

cial resources. Page 17

control of the governments' massive trade distorting subsi-dies to their industries and

YVES Saint Laurent, French fashion and perfumes group, launched the sales campsign for its FFr341m (\$51.4m) sto market flotation, due to take place on July 8. Page 19 DATAMATION, the authora-

"top 100" list showing dramatic growth rates among small, niche-market, computer companies. Page 19

SINGAPORE International

IMPERIAL Chemical Indus-tries, Britain's biggest chemi-cals group, plans to step up investment in the Far East.

UK GILTS: Yields on long-ma-

temporary enthusiasm about sterling and after Tuesday's

FERRUZZI, Varesi and

DE Gerhard de Kock, who played a key role in restoring South Africa's credibility after US banks for sclosed on their loans in August 1965, is to step down as Governor of the SA Reserve Bank, Page 4

recovered in May after steep.
falls in April reinforcing a view
of continued economic expen-

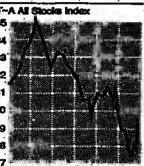
man motor conclonerate, is planning to rade capital through a 1 – for – 10 rights issue to strengthen its finan-

BALTECA Holding, Danish insurance and finance group. is selling its Baltica invest sub-sidiary to the unit's manage.

Plessey bid

With the figures at the top end of market expectations the stage was set for an expec-ted new bid for the Pleasey

UK Gitts ·



CANADA tabled a long-awaited blueprint for more effective

other producers. Page 6

ment following a Danish government decision. Page 18

tive US data processing jour-nal, has published its annual

Monetary Exchange proposes to launch a Euroyen threemonth interest rate contract.

KOFTO Manufacturing, Japanese company under siege from Mr T Boose Pickeris, US corporate raider, end Mr Kitaro Watanabe, his Japanese ally, hit back with a tough talking American style counter attack.

STOCK MIDICES

Brent 15-day (Argus) \$17.95 (-0.20) (July)

West Tex Crude \$20.15 (-0.27½) (Aug)

# Uno's future darkens after further report of scandal

By lan Rodger in Tokyo

THE FUTURE of Mr Sousnke
The as Japanese Prime Minister looked bleak yesterday
despite his denial of reports
that he hinted to associates on
Tuesday evening that he would
like to resign.
Already embarrassed by
reports of an earlier affair with
a part-time geisha, Mr Uno was
widely reported to have considered-resigning when he learnt
on Tuesday that a weekly magstrice was shout to publish
details of another relationship
with a 16-year old apprentice

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on Tuesday that a weekly magwidely reported to have considered existing when he learnt
on Tuesday that a weekly magwidely reported to have considered existing when he learnt
on Tuesday that a weekly magwidely reported to have considered from Minister less than four
weeks ago. He was installed by
party leaders hoping that his
lack of involvement in the
Recruit bribery scandal would
help the LDP to recover its
standing with the public.
Instead, he has been weighed
down and the country diverted
by the accounts of his private
life. Public reaction to the first
woman's comments — which
portrayed him as a cheap,
unfeeling man — has been
strong, and probably contribunfeeling man — has been
strong, and probably contribmid to an unexpected crushing defeat of the LDP in a rural (LDP) in the Tokyo city elec-

by election last Sunday. Japan has traditionally been tolerant of the extra-marital

activities of its politicians, reflecting the fact that married couples in Japan often lead quite separate lives. In contrast, fluancial scandals have been a recurrent theme in post-war politics and have claimed, even before the Recruit affair, several promi-However, the perception that

Mr Uno is a weak leader has-rendered him vulnerable to the sort of reports that previously would have attracted only

passing attention.

Mr Uno yesterday denied that he had offered to resign and insisted that he would go to the summit to fulfill his

responsibility as Prime Minis-

Despite the demials there is no doubt that senior party and government leaders were called for an emergency meet-ing at Mr Uno's official residence on Tuesday evening.

According to reports, the Prime Minister became very agitated. He told aides he no longer wanted to be Prime Minister and he especially did not want to go to the summit of leading industrial line. of leading industrialised nations in Paris in mid-July for

fear of being ridiculed.
One of the participants arknowledged publicly yesterday that the suggestion was made at the meeting that Mr Uno "might not be able to go to the summit." Others said pri-

vately that they worked hard to convince the prime minister not to resign now. Financial markets reacted strongly. The dollar rose Y2.32 to Y148.55 in the Tokyo market

and the Nikkel average of 225 leading shares on the Tokyo Stock Exchange dropped 223.61 to 33,245.6. Political analysts in Tokyo

said the episode means that Mr Uno's term as Prime Minister, which was never expected to be long, could and up very short indeed. However, it will be difficult for the LDP to replace him. Most of the partry's leaders have been discredited because of their involvement in the Recruit scandal.
Editorial comment, Page 14



# Brussels steps up attack on telecom service monopolies

By Tim Dickson in Brussels

THE EUROPEAN Commission yesterday stepped up its attack on Europe's telecommunica-tions authorities by agreeing controversial plans to open controversial plans to open many of their manopoly services to independent operators. In a series of moves designed to encourage more competition and prepare the way for a single market in telecoms, the Commission spelt out detailed rules simed at allowing private sector companies to provide so-called value added services, such as videotext and electronic mail, by the middle of next year. The rules would also allow companies to offer their own date transmission services at the beginning of 1993.

Yesterday's developments are likely to be flexcely resisted by certain EC governments and likely france, Belgium, italy and Spain — which resent not companies in which resent not commission's nights but the manuer in which resents the endersement of member states.

Sir Leen Britten, the Commissioner in charge of competi-

Sir Leon Brittm, the Com-missioner in charge of competition, is exploiting the little-used Article 90 of the Treaty of

Rome, which shows how public

monopolies can be exe

from the EC's competition rules. It also stresses that "the development of trade must not be affected to such an extent as would be contrary to the interests of the Community."

Sir Leon emphasised yesterday that the hasic telecoms network — traditional telephone lines, fibre optic lines, micro-wave and satellite links, for example — is of "general economic interest" and could, under the rules of the treaty, be entrusted by member states to a single monopoly.

alised telecom market would operate, the rules would come into force several months later, when ONP is formally adopted under EC procedure.

Should no progress on ONP be made by member states the planted to a policy whereby liberalisation and harmonisation go hand in hand," Sir Leon said.

The Commission also plant special transitional arrangements up to December 31, 1992,

to a single monopoly.

While also accepting that

"voice telephony" — conversations, which represents 90 per
cent of telecoms business should be protected, he insisted that other telecommurications services must be opened to newconsers.

The Commission promised resterday that the requirements on services would not be introduced before April 1 next.

year, following opposition by some mamber states to its "unlateralist" strategy. If the Council of Ministers agrees by this deadline on the separate and technical Open Network Provision (ONP)

The Commission also plans special transitional arrangements up to December 31, 1982, allowing member states to prohibit, until then, the resals of lines leased from monopoly authorities which could compete with a public data communications service.

incations service.

EC governments, however, will have to separate their telecommunications authorities' regulatory powers from their business activities — as the UK has done; publish by the end of next year the information necessary for public operators to enter the market; abolish restrictions on the processing the prime Milister on whether the restrictions on the processing the first state of tall membership of the Emission Monetary System if Labour wins the next general section.

Entripped Monetary System if Labour wins the next general section. restrictions on the processing of signals before and after their transmission via the public network; and introduce mea-

#### UK to seek alternatives to Delors union plan

By Philip Stephens, Political Editor in London

DETAILED studies of alternatives to the Delors plan for European economic and monetary union are to be initifor Kuropean economic and manetary union are to be initiated by the UK Government after this week's decision by the Madrid summit of European Community leaders to pash ahead towards that goal.

Mrs Margaret Thatcher, the Prime Minister, will tell the House of Commons this afternoon that her explicit acceptance at the summit of the aim of such a union did not imply acceptance of the blueprint model put forward by the committee chaired by Mr Jacques Delors, the president of the Kuropean Commission.

Her statement is expected to provide the hackground for a further move by Mr Nell Kinnock, the Labour party leader, towards committing the opposition to full membership of the European Monetary System if Labour wins the mant general election.

Mr Kinnock, who will press the Prime Minister on Mercen.

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Mr Kinnock, who will press the further membership of the further in response to the renewed political uncertainty.

rather than substance, has indicated that Labour's own conditions for joining now seem increasingly likely to be

Mrs Thatcher, who can expect close questioning from MPs on both sides of the Commous on the apparent soften-Continued on Page 18 Ian Davidson, Page 2; Eco-nomic Viewpoint, Page 14.

# **US** indicators fuel speculation of easier money

By Peter Riddell, US Editor, in Washington

US MONETARY policy could

US MONETARY policy could ease, according to market analysts, following further evidence that the pace of economic activity is slowing.

The US index of leading economic indicators, which looks ahead to levels of activity six to nine months ahead, dropped sharply by 1.2 per cent in May.

This was not only more than analysts had been expecting, but was also tha largest monthly fall for the 16 months since the aftermath of the October 1987 stock market

Although this does not mean that a recession is imminent, the indicators have renewed talk of a further cut in interest rates, especially with a meet-ing of the Fed's policymaking Open Markets Committee due Mr Marlin Fitzwater, the White House press spokesman, said the figures confirmed "recent evidence that the econ-"recent evidence that the econ-ony is growing at a slower pace in the second quarter." He added that the economy was "healthy" and the slowdown should produce "less pressure" on inflation and interest rates. The index, which fluctuates from month-to-month, is now 1.6 per cent lower than last 1.6 per cent lower than last January's peak. The coincident index has also been broadly flat over tha past three months, though the lagging index has continued to

These figures follow other recent indicators, including Continued on Page 16

# Margaret van Hattem dies

Margaret van Hattem, the East Europe correspondent of the Financial Times, died yesterday at the age of 40 after a long

Her reporting from Brussels. especially on the Common
Agricultural Policy, from
Britain's Houses of Parliament,
most noteably on Northern
Ireland, and in her final post

feel and for its often brilliant writing style.
To these qualities were

added a quite remarkable cour-age during a long and difficult battle against brain cancer. Incisive writing, original analyais and razor-sharp wit remained undimmed to the remained undimmed end. Obituary, Page 8

# US, Japan reach accord on mobile 'phones dispute

By Nancy Dunne in Washington

THE-IS and Japan yesterday avested now over telecommunications trade with an agreement providing increased for-eign accesss to the Japan's furnities mobile telephone market.

The sectlement was reached after two all-night hargaining sessions, under threat of US retails from and ever worsening track; relations between the two sconomic superpowers.

The US last month cited Japan solong with Brazil and India imder the controversal "Super-301" provision of the 1988 US trade law for its failure to mostle market access.

to provide market access.

\*\*Rear\*\* Carla Hills, the US
Trails Representative, was prepaned to impose tariffs of up to
100 per cent on some Japanese
products. All threats of retaliation

have now been dropped.

Mrs. Hills said that even though the agreement concerns only cellular and mobile telephones, it could set a presedent for the entire telecommunications market in Japan.
The measures should provide from the improvements for U. Sampana in these two

Acting on a complaint from Motorola that it could not introduce its small hand-held cellular phones into the Japanese markets, Mrs Hills amounced on April 28 that Japan was not in compliance with a previous pact reached in Market-Oriented Sector Selective (Moss) talks.

Market-Oriented Sector Selec-tive (Moss) take.

The talks were led in Wash-ington by Mr Linn Williams, the Deputy US Trade Represen-tative, and a special envoy, Mr Ichiro Osawato, former deputy cabinet secretary, who flew into Washington at the week-end to break the deadlocked end to break the deadlocked

Mr Osawate was about to depart from Washington Tues-day when Mrs Hills intervened and asked for a final effort. As a result of the consulta tions, the Japanese Govern-ment agreed to take specific actions to allow more competi-tive access to the Japanese

telecommunications market, including: Improved access to frequencies necessary for third party radio and cellular telephones to be assigned on a non-discriminatory basis in new

ted to be made available in the Tokyo area within the year.

• Improved transparency in and the streamlining of licencing procedures for third party radio businesses.

Foreign representatives will be allowed to participate in the sessions of the Radio Regulatory Council when it is draft-ing or revising frequency allo-The Ministry of Posts and Telecommunications will grant or deny license applications for new systems within about four mouths of the submission of an

In the Agreement, the Japa-ness said they expect digitalis-ation of cellular telephone systems in "the near future." To that end, we propose meetings of Japanese and American experts to study the technical details in order to

prevent the emergence in the future of such issues as the current one." Motorola issued a statement saying it would "energetically pursue our new opportunities and called on the two govern ments to closely monitor the implementation of the agree-

systems.
Four new systems are expec-

thely: Exporters wait for the state ... Schortel Community Japan's LDP at bay, London's role in futures markets



17-18

17,13

Shaker, the prime min-ister, is confronted with the problem of reecheduling the foreign debt, restructuring the economy and adjusting the political system to absorb wider participation.

Chinas 'A confusion of fact and fiction' ...... Less Markets; GEC; Tokyo; Galeway \_ Surveys Hong Kong ... Surveys Yugoslavia ... International bonds . 21-22 Intl. Capital Markets 21-22 -Wall-Street -London



MARKETS

Austria-Credit Aktien

SITEREST RATES

close 1313 % (same)

deral Funds 95% London: (9,6) DM1,9645 (1.9660)
3-mth Treasury Bills: FF6,8650 (8.8325)
yield: 8.3% (8.289) SF1,6890 (1.6840)
Long Bond: 10838 Y142.75 (141.10) yleid: 8.114% (8.073) GOLD New York fatest Comex Aug \$380.8 (379.8)

New York Sunch \$1,5580 (1,5880) New York lunchte 2.503.22 (-23.15) \$1.5580 (1.5655) DM3.0575 (3.0625) S&P Come 325.75 (328.44) SFr2.6275 (2.6375) Y220.00 (220.75) DOLLAR 2,209.4 (+3.0) Apr 1989 Jun DM1.9615 (1.9560) World: 143.75 (Tues) FFr6.6565 (8.6995) SFr1.6865 (1.6860) Tokyo Nikkei Ave 33,245.60 (-223.61) Frankturt Commerzbank 1,849.4 (+19.3)

by the segments of the CONTENTS Jordan struggles with economic and political tinderbox

Agriculture
Arts-Reviews
World Guide
Commercial Law
Commodities

# Clear path for European Community emerges through the fog

The Twelve have passed a watershed which is almost certain to be marked by a significant transfer of sovereignty to EC institutions

F THE Man in the Metro felt a yardstick for future debate, and confused yesterday morning over the significance of this week's Madrid summit, be could have heen forgiven. Figaro head-lined cautiously: "Europe: Small Steps to Monetary Union." The business daily Les Echos said: "Madrid compromise outs off real choices". The right-wing Le Quotidien was non-committal: "Europe: a Draw." The confusion is partly due to the mixed signals from the political

#### ian davidsor ON EUROPE

leaders. Mr Jacques Delors, the European Commission president, said the move to economic and monetary union (EMU) was now irreversible; Chancellor Helmut Kohl said the meeting had taken a "small hut important step" in that direction; Mrs Margaret Thatcher claimed to have prevented any automatic move to monetary union.

But confusion is also caused hy paying too much attention to the detailed words on paper: the exact timing and components of Mr Delors' plan for economic and monetary union (EMU), or the precise terms of the compromise communioue finally hammered out between Mrs Thatcher on the one hand, and the proponents of economic and monetary union on the other.
At a certain level, of course, these details have considerable impor-tance: the Delors report will remain the Madrid communique will long be used as a weapon by both sides in their political battles. But if you shut your eyes, you can see that these details are not the heart of the

The heart of the matter is that the European Community has just passed a watersbed in its political history, which is almost certain to be marked by a significant transfer of national sovereignty to EC insti-tutions. Naturally, we cannot pre-dict the details of that transfer, that's what the negotiations will be about. But if words have any meaning, the Madrid summit is likely to prove to be be the most important decision-point since the signing of

the Rome Treaty.
Mrs Thatcher claims to have "conceded absolutely nothing" to the pro-EMU lohby, she has averted any commitment to the second and any commitment to the second and third stages of the Delors plan, and she has even managed to rub out any reference to the plan as a "good basis" for further negotiation. This is just fencing with windmills: the Delors plan is a set of proposals, but the plan are a set of proposals. it is no more than that. The alchemy of real political commitment will only take place in the crucible of inter-governmental nego-

In that crucible, virtually every eiement in the Delors plan may be transformed out of all recognition. But one element will remain constant: the purpose of the negotiation will be to transfer sovereignty to Community institutions.

Mrs Thatcher's opponents are not driven by some sort of idealistic Euro-fanaticism; but they sense that control over their economic destiny is slipping out of their hands, through the opening up of the sin-gle market, liberation of capital movements, and the declining utility of the exchange rate as a policy instrument. If they want to regain some control, it must be through stronger common institutions.

The real argument, therefore, is

not whether a European central bank should control the British bank should control the British money supply, but whether governments should hold a negotiation to change the Rome Treaty to strengthen EC institutions. That argument has been comprehensively settled; everybody knows it.

Mrs Thatcher fought bard to set up procedural tank-traps in the final communione, but they will have no effect: if a majority of member states want to hold an inter-governmental meeting, she cannot prevent them. President François Mitterrand has already announced that France will call for the confer-

that France will call for the conference at the earliest moment, i.e. after July 1 next year, and he appears confident that it will convene not long thereafter. It is also clear that the issue at the conference will he the ideological battle that France will call for the conferover the political future of Europe.
Since the Rome Treaty was agreed by all governments, it can only he changed hy unanimous agreement: therefore, Britain has a veto. The practical dilemma facing

the British Government, however,



Mitterrand and Thatcher: opposing approto an inter-governmental conference

will he more complex: should it seek to veto any treaty changes absolutely, or should it use the threat of veto as a bargaining tool. The second course would concede the political sacrifice to which Mrs Thatcher is hostile; the first would run some risk that her opponents would create a two-tier Europe, hy

moving ahead without her.
The one outcome which seems least likely is that a majority of states, including France and West Germany, would take a majority decision to hold an inter-govern-



mental conference in order to strengthen the Community, and then suhmit calmly to a British veto. The very act of holding a con-ference will virtually guarantee a result antithetical to the views of

Mrs Thatcher, and perhaps unfa-vourable to UK interests. A prudent assumption, therefore, must be that the conference will result in a significant step towards economic and monetary union, including a strengthening of Europe's common institutions. it might not follow the Delors model.

with Community control of budgetary policy; that is for the economic schoolmen to debate. But we should assume that it will involve a progressive strengthening of the EC's

role in the management of eco-nomic and monetary policy.

The political impact of such an outcome would be immense, both inside the Community and in the wider world. Over the past five years, the Twelve have been slough-ing off discredited models of EC ing off discredited models of EC action: first the harmonisation model, and more recently the farm policy model. But the model of economic and monetary union, for 15 years the object of formal genutica-tion, has throughout that period been in practice disregarded. If it now makes headway, it will have a powerful binding effect on the mem-ber states.

Where this will count most is in West Germany's international pos-ture. In the current unhuttoning brought on hy the Gorbachev revo-iution, the Germans have shown unfamiliar confidence in trying out their own role in the world.

Some draw the worst conclusions from their assertive challenge to aspects of Nato's nuclear orthodoxy. and accuse them of sliding off towards the East. The accusation is wildly over-done, no doubt. But a step which required West Germany to submit its economic and monetary policies to progressive EC con-trol, would be both a symptom and a guarantee of its political anchoring in the West.
it would also be a symptom and a

guarantee of the political anchoring of all the member states to each other. The procedural battles over the Delors plan dominated yesterday's headlines; yet the Madrid communique led off with an assertion that the FC page had a greater tion that the EC now had a greater role in international affairs, and concluded with a forcign policy statement which struck a newlyconfident tone on East-West relations, including nuclear and conventional arms control.

The Community's views on arms control may appear to be of only moderate interest: views are easier than action, and defence and security remain formally outside the EC mandate. Nevertheless, it would be short-sighted to imagine that economic and monetary union is just about economics and money. It is not; it is about the overall integra-tion of the Community, and the strengthening of an EC dimension as important as economic and monetary co-operation cannot fail to strengthen the Community's political backbone.

The problem with Mrs Thatcher's position in Madrid is not whether she was right or wrong about the Delors proposals, but whether she perceives the political nature of the EC. Her loyalty to Nato is admirable. But it is not at all clear that an inter-governmental alliance is as relevant, in terms of the operational requirements of today's agenda, as a politically integrated EC. Since Tuesday, the Community's prospects of closer political integration have looked a lot stronger.

# Transport strike erupts as Poles wrestle inflation

By Christopher Bobinski in Warsaw

BUS AND tram drivers in Bydgoszcz in north-western Poland stopped work early yes-terday morning to demand higher wages in the first important strike since the success of the Solidarity union in parliamentary elections earlier this month.

The strike, which has neither the support of Solidarity nor the OPZZ official unions, omes after price increases in the past two days of cigarettes, alcohol, petrol and sugar, and as people are expecting food

prices to rise.
The drivers, who are occupying their depot, are demanding an increase in their bourly rate of pay from 21 300 to 21 800, and higher pay for overtime. The stoppage came as the Solidarity national leadership the prices issue and bold talks with Mr Andrzej Wroblewski, the Finance Minister, and Mr Jozef Oleksy, the Trade Union Minister. The two ministers went to Gdansk to present a plan for consultation which aims at eliminating subsidies on food prices and would attempt to halance supply and demand, but could mean the price of some items going up hy as much as 300 per cent.

Mr Kazmlerz Olesiak, the Agriculture Minister, who faces the prospect of fast diminishing food supplies, has been urging that the rises be brought in as quickly as possible. He told a news conference on Tuesday: "Everyone is afraid of raising food prices, but no one seems to be afraid of food shortages."

However, on the same day, the Communist party politburo ordered a halt to price rises be installed and told officials to release food reserves, as well as import additional supplies to alleviate the situation.

#### Dail expected to vote out Haughey as Premier

By Kleran Cooke in Dublin

MR CHARLES HAUGHEY. Ireland's Prime Minister, seems likely to be defeated in a vote today in the Dail (Parliament) on his continued leadsr-ship of the country.

ship of the country.

His last-minute attempts to gain support for his candidacy as Taoiseach (Prime Minister) apparently failed yesterday after the small Progressive Democrats Party said it would support the nomination of Mr. Alan Dukes, leader of the main opposition Fine Gael party.

if Mr Haughey or any other candidate fails to gather the required number of Dail votes, then Mr Haughey, who would continue as Prime Minister for the time being, would inform

the President of the situation. The President has the power to ask him to make renewed attempts to form a Government though hs cannot ask anyone else to do so. What happens if snbsequent talks fall is something of a con-

stitutional conundrum, Such things have not happened before in the history of the Irish state.
The present problems have

been caused by a recent general election in which Mr Haughey's governing Fianna Fail party suffered considerable setbacks. Mr Haughey has refused to resign and has said that another election is undesirable.

## Delors urges EC to back Brady plan with cash

THE European Commission president, Mr Jacques Delors, has urged EC governments to create a special fund to support the Brady plan to cut Third World debt, Reuter reports. But diplomats said Britain and West Germany had serious reservations.
Mr Delors said the European

Community fund, proposed by Spain, was the most realistic and serious proposal for showing that the EC had not lost interest in such nations in

He told a news conference he hoped all Community govern-ments would back the Spanish plan in time for the annual summit of the seven leading industrial nations in Paris on July 14 where the Third World debt crisis will be high on the

"We are talking about the future of democracy and of social and political stability in numerous countries. it is our duty and it is in our political

#### Brussels warns on imbalances

By David Buchan in Brussels

RISING inflation and diverging hudgetary and trade imbalances in the 12 European Community states could jeopardise sustained economic growth, the European Commis-

sion warned yesterday.
The Commission claimed its The Commission claimed its latest economic report, pub-lished yesterday, underlined the need for closer budgetary co-ordination among the the Delors study which was endorsed on Tuesday by EC leaders as the basis for progress towards economic and monetary union.

The report, to be presented to EC finance ministers next month, predicts that the rise in real output in the Commu-nity will only slacken margin-ally from 3.25 per cent this year to 3 per cent in 1990. It attributes Europe's prolonged boom mainly to the structural states in recent years, increased profitability of investment and the desire of business to gear np for the coming single EC market by

coming single EC market by expanding capacity.

However, "these very positive prospects are threatened by growing disequilibria particularly the acceleration of inflation", it says. If higher inflationary expectations feed into higher wage settlements, the levels of profitability, investment, growth and employment could be affected in turn, it warns. Though the Commission forecasts a 2.5m-3m increase in jobs in 1989-90, this will only bring unemployment down to around 10 per cent next year because of the net increase in the number of people seeking jobs.

Current account imbalances are increasing among several member states, putting under potential strain the stability of exchange rates. The report sin-gles out the large and growing German trade surplus as "very worrying", and the "disquis-ing" deterioriation of Portu-gal's current account deficit.

#### Air traffic growth 'to continue'

AIR congestion in Western Enrope will continue to worsen over the next five years but fares may fall, a group of 21 scheduled airlines said yesterday, Reuter reports.
The Association of European
Airlines said passenger traffic
would grow by an annual 7
per cent in the next five years cause of a general economic

slowdown, down from an average of 7.5 per cent since 1986. Passengers have faced worsening delays as air traffic has steadily increased. However, the AEA also forecast that fly-ing should become cheaper.

# A close run thing at Felipe's Waterloo

By Peter Bruce in Madrid

THE SPANISH press was kind to Mr Felipe Gonzalez, the Prime Minister, yesterday morning. Apart from some unsurprising carping from the right, the media at least seemed to agree that he had not seemed to agree that he had not come away from hosting Spain's first European Commnnity summit empty-handed. But it was a close run thing.
At midnight on Monday, the end of day one, the Spanish mood was grim. The Government spokesperson, Ms Rosa Conde, wandered into the conference centre and was heard to mutter that one head of gov-ernment seemed to be trying to

give "the embrace of death" to Mrs Margaret Thatcher? No. President François Mitterrand. The French President had unexpectedly taken a very hard line on the Delors report on economic and monetary union in the EC. He was insisting that It be adopted in full and that the

summit agree on a date for conference at which the EC starting next month. 1989 has treacherous obstinacy of his ing that the wording of the trate at the same time.

Moscow calls

meeting on

ethnic unrest

THE Soviet Union announced yesterday that a long-awaited meeting of the ruling Communist Party's Central Committee aimed at addressing the country's growing nationality problems would take place late

lems would take place late next month, Renter reports from Moscow.

Mr Gennadi Gerasimov, the Foreign Ministry spokesman, made clear that the plenary session would seek to develop a broad political strategy on an

issue which threatens to derail President Mikhail Gorbachev's

perestrolka reform programme.
"A tentative date has been set for the end of July," Mr Gerasimov sald. "It is premature to predict the results, but

we can suppose that it will end in a more clear definition of

our national policy." He made clear the meeting would not be

expected to solve individual

Unrest among the Soviet Union's many ethnic minori-ties has emerged as one of the major problems facing Mr Gor-

At least 200 people have been killed and more than 2,000

injured since the start of last year in the Transcaucasus and Central Asia, around half of them in clashes this month between Uzbeks and Meskhe-

and the Ukraine, where tens or sven hundreds of thousands

have taken to the streets in largely peaceful protests.

Treaty could he changed to meet the Delors recommenda-

Mrs Thatcher would not go along with this but had amazed her hosts hy softening her stiff opposition to the Delcrs report. She was prepared to consider it a basis, if not the basis, for progress towards monetary union and was prepared to attend a con-ference even though she did not want one called.

But the Spanish had been relying on the French, particularly since both countries are led by Socialist parties, to bring it safely through its first, and difficult, presidency. Both monetary union and an EC social charter were on a

summit agenda for the first time. Mr Gonzalez regularly speaks to the French leader by telephone and he had taken great pains to co-ordinate his summit position with Paris and Bonn in order to try to deal coherently with Mrs. Thatcher in Madrid.

sometimes been described here as a year of "joint presidency" between Madrid and Paris, Chancellor Helmnt Kohl

took the lead in Madrid on Monday morning by tabling a five-point proposal which included starting phase one of Delors (which does not need changes in the Rome Treaty) on July 1 next year, accepting the Delors report as the basis for monetary union and beginning work on an inter-govern-

mental conference. But while both Mr Kohl and Mr Gonzalez showed a willing-ness to weaken that, Mr Mitterrand, with some Italian snp-

port, did not.
Mrs Thatcher, who anyway does not like Mr Jaques Delors, European Commission president, did not want his report to be the only route to monetary union and if she was going to somehow link British participation in phase one to the other two stages that needed Treaty revision, the

link had to be vague.

French political mentor, and conscious that the Spanish early on Tuesday should be early on Tuesday should be tightened. It should now call for "complete and adequate preparation" before a conference should be called.

That would be less easy for the French to fudge. "Complete and adequate" conclusions will take longer than the life of the French presidency to achieve presidency might be heading for disaster, Mr Gonzalez had just one morning (Tuesday) to pull something out of the

The Portuguese had also upset him (they, no doubt, will be hearing more of this) by refusing to support the Spanishpresidency position unless they were promised more structural funds by the Community.

The priority was to wean the ftaliens away from France. Mr Mitterrand wanted a firm conference date but if a form of words could be found to commit Mrs Thatcher to attending one without Mr Mitterrand being able to interpret the words to French advantage (an agreement, during the French presidency, to call a confer-ence), it was just possible such a conference could be held under the Italians, whose presidency begins in July next year. Mr Ciriaco De Mita, the Italian Prime Minister, apparently

idency, grudgingly agreed. Mr Gonzalez had escaped by the skin of his teeth and he will not be sorry to see the back of the Spanish presiin a few hours in Madrid, two years of hard work and

draft conclusions drawn up

French presidency to achieve.

It was now late on Tuesday morning, Mr Mitterrand, facing

a grubby start to France's pres-

on the job Community training had nearly gone up in smoke. There was a great deal of domestic political prestige riding on the summit and the mere existence, at the end, of o document all L2 leaders could put their names to was probahly eloquent testimony to his w to panie and

E Germany's

THE antomatic navigetion system on East Germany's new Airbus airliner failed dur-

ing a test flight yesterday, for-cing it to land in East Berlin,

Renter reports, quoting the official East German news

agency ADN.
Airhns Industrie, the mir-

craft's manufacturer in Ton-louse, France, said the Airbus Industrie ground support team at East Berlin's Schoenefeld airport repaired the system

shortly after the aircraft

landed.

ADN said the A310 airlinar, which was delivered on Monday, turned back over the Sovist Baltic city of Vilnius

when the navigation system failed. Interflug, the state air-

line, said the crew, including an Airbus test pilot, used man-

nal navigation on the return

first Airbus

fails test

Honnecker (left) gets the word on Bonn from Gorbachev

# Soviet briefing for Honecker

THE EAST GERMAN leader, Mr Erich Honecker, yesterday had talks in Moscow with Mr Mikhail Gorhachev, who hriefed him on his trip to West

Germany, Reuter reports.

Both men delivered speeches at a luncheon which took place in a "warm, friendly atmosphere," according to Tass news agency. They decided that that improving relations hetween the two countries

tian Turks in Uzbekistan.

The problem is compounded by the growth of nationalist demands in the Baltic republics, in Moldavia, Byelorussia should have a top priority.

"Despite the visible variety in the concrete shaping of new social structures, the same aims, ideals and values are

present as reliable basis for

this (improvement)," the East German ADN news agency, said, referring to the varying pace of reforms in East Euro-

pace of reforms in East European countries.

It said the Soviet leader briefed his East German counterpart on "his personal impressions" from the West German visit two weeks ago, telling him he was convinced more and more West Germans wanted peace and good rela-tions with Moscow and other East European countries. Mr Honecker described the visit as a significant contribution to improving relations in Europe. The 76-year-old East German

leader set out his country's policy and told Mr Gorbachev he would stick to his chosen course but he fully supported Moscow's reform efforts.

ADN said the two leaders agreed direct links between factories should be increased, the range of traded goods.

the range of traded goods expanded and quelity The Soviet news agency said Mr Honecker, who arrived in Moscow on Tuesday evening, left later yesterday for Magnitogorsk, a foundry city in the Urals where he worked as a country Communicated during the young Communist during the summer of 1981.

# An aviation industry source in France said it was the sec-ond time an Airhns Inertial ond time an Airhns Inertial Reference Navigational System had failed. The previous occasion was about two years ago on a US Pan Am aircraft. The incident was blamed on pilot error, the source said. The Interfing aircraft, the first Airbus delivered to an Bast Europsan carrier, had been flying to the Soviet city of Novosibirsk to test its maximum range. It had been spe-

mum range. It had been spe-cially adapted to fly more than 10,000km non-stop.
Interfug has bought three of the wide-bodied, 203-seat aircraft and takes delivery of

# Markovic confident of 'making it' through a critical year for Yugoslavia

By John Lloyd, recently in Belgrade

MR ANTE MARKOVIC, the Yugoslav Primo Minister, has said that his country faces a making a transition to a market system.

Iu an interview with the Financial Times for the newspaper's annual survey - the first he has given to the foreign press since becoming Prime Minister in March - he professed confidence in his ability to push through radical ness of the federal government's position, exacerhated by the tension between the six autonomous rapublics over perceived Serbian nationalism. "Do you think I would be

bere unless I really though I could make it?" he said at one point in the interview. "Making it." for Mr Markovic, is drastically reducing the soaring (around 400 per cent) infla-tion, and making the dinar convertible within five years. To do this, be has sschewed specific anti-inflation measures of the kind which contributed

to the downfall of his predeces-sor, Mr Branko Mikulic. Instead, he has put his faith in a battery of new measures on enterprises, foreign invest-ment, labour and accounting procedures - much of which is inherited from Mr Mikulic, but which in many cases has been revised to reduce the role of the League of Communists and the administration. Other laws, including one on taxes, are now in preparation.
"The most important period

is this year," he said. "By this

summer we should have adopted all the legislative acts which will introduce a framework for the new economic system. These will be the laws to introduce a unified economic system in a market which will be international. and in which all kinds of ownership will be on an equal foot-ing. There will be a beginning to a transformation of enteprises where the capital is anonymous (belonging to no-one) into social capital (where ownership is clearly

identified)." The next year is also crucial for a trial of strength with those whom Mr Markovic calls "dogmatists, conservatives and ultra-leftiats," who wish to frustrate the reforms. "They are not yet united but I am expecting that to happen. I don't fear it - it's normal." Mr Markovic is concerned to increase the federal govern-menty's authority, presently

very weak, in order to take

control of the monetary instru-

ments and remove barriers to

whose board is composed of the chairmen of the republican banks and who are against what they see will be a loss of their independence.
The Prime Minister said the

trade put up by the republics. He is already encountering resistance from the state bank,

market reforms would not dilute Yugoslavia's system of "workers' self-management"
under which enterprises are
nominally run by a workers
council. On the contrary, he
said, it "reaffirms" the system,

and brings both new rights and responsibilities. "It is to bring the workers closer to the market and allow them to make decisions based on market sig-

He would not commit himself to be in favour of political pluralism, as have some, especially in the Slovenlan republic but he observed that "personally, I feel that the very logic of the developments of the new economic system will demand changes in the politiFINANCIAL TIMES

the second today.

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#### AMERICAN NEWS

# Incentives plan for banks' debt reduction deals

By Peter Riddell, US Editor, in Washington

THE US Congress has begun considering legislation to pro-vide incentives for banks to participate in debt reduction agreements with Third World countries, coupled with penal-ties for those abstaining.

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The Democratic chairmen of two key House committees have tabled bills which would remove some tax advantages and substantially increase the and substantially increase the reserves required by the banks. US bank regulators are, however, resisting any dramatic change in the supervisory framework which they regard both as unnecessary and as penalizing US banks relative to international competitors.

A key point at issue is whether Third World loans should be marked down by banks to secondary market.

should be marked down by banks to secondary market prices, as favoured by some leading Congressmen and the General Accounting Office, which acts for the legislature.

A GAO official has estimated that on this basis regulators should be requiring preserves of should be requiring reserves of \$400n, covering all loans rated less than weak, against a tar-get of \$4.9nn for the more restricted category of loans rated value-impaired and losses. Bank reserve levels are \$23bn. Regulators argue the secondary market is too thin to provide an adequate guide and

maintain this approach would be too inflexible.

Representative Walter Faun-troy, the chairman of the House sub-committee on inter-national development, finance, trade and monetary policy, has proposed legislation requiring commercial hanks which refuse to participate in Interna-tional Monetary Fund/World Bank-sanctioned debt reduc-

tion agreements to establish special reserves against the banks outstanding loans to the

PRESIDENT George Bush is expected to propose today a pay increase for senior federal officials and for Congress members, as part of a compre-hensive package aimed to make his Republicans the make his Republicans the party of clean government.

He will propose banning honorariums — payments for speeches which Congress members have used to swell their incomes — constined with a congressional pay raise, possibly appead over more than one year. It was unclear yesterday whether Mr Bush would endorse, a specific figure, though he backed a 25 per centraise for federal judges earlier this year.

raise for sederal juages earlier this year.
Controversy over pay and ethics have dominated the 101st Congress. Two top Democrats, including Mr Jim Wright, the House Speaker, were forced out of office after questionable financial deal.

The defeat of the congressio nal pay raise — which for the past 40 years has been linked to those in other branches of government - has slowed recruitment of high-calibre recruitment of high-calibre appointees and prompted resignations among federal judges. Last week, Mr Robert Heller, Federal Reserve governor for international affairs, resigned to earn more money in the private sector. His Fed salary — which his switch will more than double — is \$82,500 (£63,000). Congress members and Senators earn \$89,500.

#### **Bush set to** raise pay of **Congress** and officials

By Lionel Barber

were forced out of office after questionable financial deal-ings had come to light. Mr Wright lost the confidence of his own party last February when he mishandled a pro-posed 50 per cent pay raise for Congress and federal employ-

# Argentina removes state of emergency

By Gary Mead In Buenos Aires

ARGENTINA'S out-going Radical party government has ended a 30-day state of emergency, imposed on May 29 after rioting and looting in the cities of Rosario and Buenos Aires, in which 14
people died and some 800 were arrested.
Mr Juan Carlos Pugliese, Interior
Minister, also announced the release of
all those arrested on suspicion of having participated in the disturbances.

The lifting of the state of emergency immediately precedes the hand-over of government to President-elect Carlos Menem of the Peronist party. President Raul Alfonsin is to leave office tomorrow. His successor will be president in effect from then and go through a cere-monial assumption of office on July 8.

Since he was elected on May 14, Mr Carlos Menem has criticised Mr Alfonsin's handling of the Argentine economy, claiming that he will take over the presidency "at' the worst moment in the country's history". He said on television interview this week Argentina can no longer exercise its vote at the UN because it is some \$10m behind in its dues to the UN.

The Radical government's legacy includes a further large increase in all public sector tariffs, which yesterday were raised by an average 35 per cent, and a 130 per cent increase in the national minimum wage.

Mr Mignel Rolg, the incoming Economy Minister, has promised that his

no longer subsidise Treasury losses sustained through supporting loss-making nationalised industries. In 1987 stateowned companies lost an average \$8.5m daily, which has given rise to Argentina's fiscal deficit, its hyper-inflation and social instability.

Besides facing a serious economic sit-uation, Mr Menem will also be handed a simmering military crisis. On Tuesday this week, three lieutenant-colonels implicated in the army rebellion of last December were removed from active dnty, the first step towards being retired from service.

Monsignor Antonio Quarracino, a nitely to daily four-hour power cuts, due to low levels in rivers generating hydro-electricity.

economic programme will be "very tough", and that the Central Bank will no longer subsidise Treasury losses susplete amnesty for members of the armed forces alleged to have violated human rights under the 1976-1982 military dictatorship — a fundamental demand of rebel officers who have mutinied three times since April 1987. Mr Menem has kept close relations with the Catholic hierarchy and army rebels.

Argentina vesterday devaluated the austral by 4.15 per cent – the eighth devaluation since June 1. The austral was trading yesterday at 250:31.

Buenos Aires today returns indefi-

#### Canada in N-sale dilemma

By David Owen in Toronto

CANADA may soon be faced with a sansitive nuclear dilemma - whether to sell a large batch of heavy water to Romania for use in that country's Canadian-designed Candu nuclear reactors.

The Romanians agreed to huy five Candn unite in a huy five Candn unite in a CNIbn (£542m) package in the early 1980s. Though much delayed, two of the pressurised heavy water reactors, located at Cernavoda, are now said to be moving towards completion. As a result, Romania will probably need 900 tonnes of heavy water — worth amproxileavy water — worth approxi-nately C\$270m — within the next two to three years. The material, used in reactors that produce plutonium, the pre-ferred material for making atomic bombs, is employed both as a moderator and a cool-

outh as a moderator and a cool-ant in the Candu system. Canada's dilemma, if asked to supply any or all of this requirement, is that Romania may have ulterior notives for wanting the substance. The country is suspected of having illegally re-exported 12.5 tonnes of Norwegian heavy water which it purchased in 1966.

The Norwegian authorities, which "have reason to believe" that the material has been reexported, asked Romania for proof of its whereabouts about a year ago. As yet there has been no response. According to Mr Gary Mil-hollin, a University of Wiscon-

sin law professor and authority on world trade in heavy water, India and Israel are the countries most suspected of being the end-destination for the cargo. Libya, ha says, is "a more distant suspect."

There is no guarantee that Romania will ask Canada for heavy water supplies. It is try-ing to construct its own pro-duction facilities. Canadian officials believe the first plant has almost entered the commissioning phase.

Even if the normal teething

problems are avoided, how-ever, the plant is thought inca-pable of yielding more than 270 pane of yielding more than 270 tonnes of heavy water per year. This strongly suggests that Romania will be forced to look abroad for at least a portion of its needs. If it does, Canada — with what is probably the world's largest inventory of heavy water - is the obvious place to look.

Atomic Energy of Canada
Ltd (AECL), the governmentowned corporation which develops and markets the Candn reactor, has some 2,000 tonnes of heavy water in inventory. Moreover, according to one AECI, official, Canada

assured the Romanians of its preparedness to meet their possible heavy water needs during discussions regarding the origi nal reactor sale. Officials in the Canadian department of external affairs say that they are urging "our Rumanian friends" to co-oper-ate with Norway's request for information. They stress, how-ever, that there is currently "no evidence that Rumania has

ahrogated its international Canadian and Norwegian officials met to discuss nuclear matters of mutual concern in

Canada is also facing the dilemma of whether to export tritium, a crucial ingredient in nuclear warheads, the main market would probably be the

#### Police row in Grenada erupts into killings

By Canute James in Bridgetown

SIMMERING disagreement among the leaders of the police force on the eastern Caribbean island of Grenada erupted into a shooting incident yesterday which left the island's police commissioner, the assistant commissioner and a US gov-ernmeut official dead, and another senior official injured. The commissioner was shot hy his assistant, who was being re-assigned to the neigh-bouring island of St Vincent

having completed his tour of duty. The deputy commis-sioner was subsequently shot dead by guards.

It was not clear how the US official was killed. He was reported to have been in a

meeting with the police officers when the shooting started. The State Department yes-terday was unable to confirm that a US official had been killed, hnt said an unnamed member of the US mission in Grenada had been seriously injured in an unspecified inci-dent at the police headquar-

There has been feuding for

the past few months among senior officers in the police force.

The incident yesterday was the most violent on the island since a US military invasion in 1983 to topple a military gov-

The outbreak of shooting followed a deterioration in the political situation on the island, in which the ruling party has been split by a public quarrel between the Prime Minister, Mr Herbert Blaize, and the party leader, Mr George Mitchell.

The heads of government of the Caribbean Economic Community are scheduled to hold their annual summit in Grenada, starting on Monday.

Government officials else where in the Caribbean said yesterday that no decision had been taken about cancelling the meeting in the light of the deteriorating situation in Gren-ada. They said, however, that the developments on the island ere being viewed "very care-

#### Moving away from alchemy Lucy Conger watches poll preparations in Mexico

Under his plan the amount of the reserve would be based on the secondary market value of the debt of the particular country, while such commercial banks would be banned from taking a tax deduction when the outstruding leans

from taking a tax deduction when the ontstanding loans are declared partially or wholly uncollectable. The bill would require the appropriate US agencies to enter into multilateral negotiations to seek the adoption of similar guidelines applicable to non-US hank institutions.

institutions.

A parallel bill from Representative John Lafalce would

sentative John Lafalce would require reserves on loans to sovereign borrowers wherever payment of interest or principal is more than 90 days in arrears, with the amount varying on a country-by-country basis, Regulators could reduce reserve requirements for banks which have participated in the debt reduction strategy launched in mid-March by Mr Nicholas Brady, the US Treasury Secretary.

sury Secretary.
Separately, Representative
Dan Rostenkowski, the chairman of the House ways and
means committee, has proposed eliminating a provision

enabling banks that lend to certain developing countries to claim tax credits to offset

income from such loans. The change would raise \$300m in fiscal 1990, but is open to the objection that it would discour-

age new lending. The latter proposal is tied to efforts to raise revenue to meet the Fed-

eral hudget deficit reduction

target for the coming year.

PRESIDENT Carlos Salinas de Gortari's commitment to clean elections in Mexico, promised elections in mexico, promised in his administration's six-year national development plan last month, will be put to the test on Sunday in the states of Baja California and Michoacan. He and his ruling Institutional Revolutionary Party (PRI) lost the presidential elec-tions in both states last July, and opposition candidates are believed able to win on Sunday. The governorship is at stake in Baja California so the honouring of an opposition vic-tory there would oblige the PRI to surrender a state government for the first time. The PRI has beld every governor-ship, and controlled the major-ity in all state legislatures, since the regims came to

power in 1917. The elections are seen as a ort of referendum on the president's first six months in office. Although the extent of his electoral victory last July was heavily disputed by the opposition, he has acted quickly to establish his legitimacy as president. In rapid succession, he has sought to curb the powerful oil workers' union; drug traffickers, corruption in the police and business. On the economic front he has renewed the pact between employers and unions, and taken a tough line on renego-tiating Mexico's external debt. However, the PRI apparatus, given its well-established practice of manipulating elections, is very much on trial. The behaviour of PRI-dominated electoral authorities will not only show whether Mr Salinas

willing to recognise the evolu-tion towards a multi-party political system which has already taken place in Mexico. Of six state elections to be held this week, many believe the toughest for the PRI is that in Michoscan. This is the home state of Mr Cusuhtémoc Cár-denas, the main omostiton figdenas, the main opposition figure and leader of the left-wing pied more than 50 of Michoa-

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NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Angust General Meeting of shareholders of NIPPON WARRANT FUND, SICAV will be held at its registered office in Luterahourg, 14, rus-Aldringen, on Friday, 7th July, 1989 at 11.00 hours, with the following agenda

Party of the Democratic Revontion (PRD). In the presidential election, his Front took 64 per cent of the state's vote.

per cent of the state's vote.

"If there is a true intention
(by the PRI) to democratise,
Michoscan offers the ideal
opportunity," said Mr Jorge
Zepeda, a political scientist
who specialises on the state.
This agricultural state of midwestern Merico is one of the: three powest in the country: and, as show, not countries. strategie. His governorship is not at stake.

The stakes are higher in Baja California, where Mr Ernesto Ruffo, charismatic candidate of the right-wing. National Action Party (PAN), is a strong gubernatorial con-tender.



In Michoacan, the PRD could gain a majority in the state assembly. This would let the assembly. This would let the party supervise municipal election results, block the state's budget and jettison the PRI governor. However, Mr Cardenas has had some internal squabbles to overcome in lameching his own party, and he has insisted the PRD is prepared to govern jointly. He also pared to govern jointly. He also denies any intention of deposing the PRI governor, Mr. Genovevo Figueroa. Tension has hovered over political life in Michoacan since July when the pro-Cardenas Front won the state's two sentional seats and 12 of 13 federal congressional seats. Flexing their muscles,

can's 113 municipal offices last November, This successful protest persuaded Mr Salinas, in one of his first acts in office, to remove the unpopular PRI governor, Mr Luis Martinez Villicana.

The spectre of violence has

been evoked repeatedly and bitterly by PRI leaders but the PRD and several small parties cooled the rhetoric on all sides. with the approach of the poll-this weeklik car water. stake in Michoscan. Mr Car-denas's father, the late Presi-dent Lazaro Cardenas, is revered throughout the state for distributing land to peasants and bringing in development projects. The son was PRI governor of Michoscan from 1980-86, before he was from 1980-86, before he was expelled from the party for out-spoken dissidence over non-democratic practices. "Thank God for Cnauhtémoc because of him we have electricity, a school, and water. What more can we ask?" said its Alicia Ponce, who lives at the poor La Caja farming settlement.

the poor Le Caja farming set-dement.

The PHI finds itself in the unique situation of running against his own record. Its cam-paign was launched last December, when the party president, Mr Luis Donaldo Cologio visited Michoacan to remove veteran local bosses and do groundwork in modern-laing the party structure.

and do groundwork in modernising the party structure. Throughout the state, PRI has staged four different types of infernal election to instal new leaders of more than 1,700 local, municipal and peasant committees, in an effort a PRI state delegate, Mr José Guadarrama called "a profound restructuring to be able to say there really is a party, that is a presence, there leadership at each level."

In a democratising move, 35,000 PRI militants voted as

35,000 PRI militants voted as individuals, putting their ballots in transparent boxes, to select the final PRI slate of 18 congressional candidates.

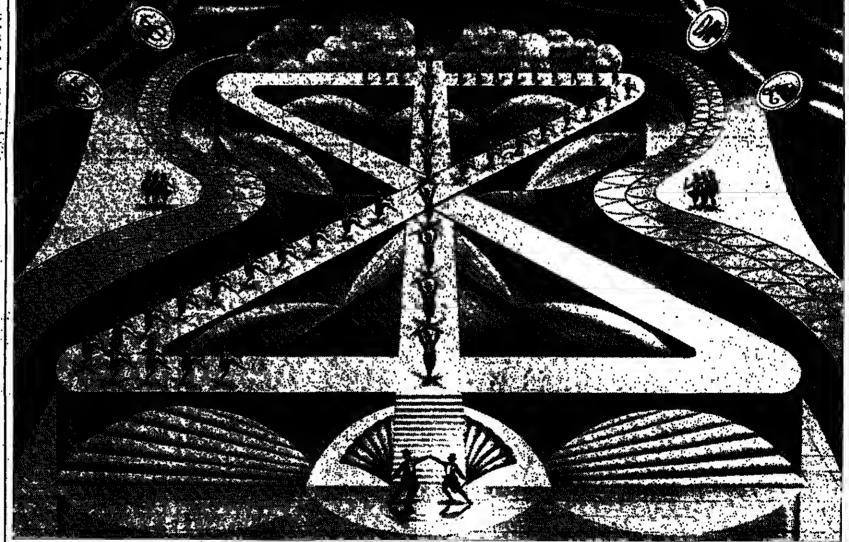
However, traditional tactics have also slave appearance are recommendated.

have also figured prominently in the campaign. The PRI has availed itself of federal funds. in Jamery, six cabinet minis-ters lamiched Plan Michoacan, a programme of public works projects credits for small farm-ers, and food handouts costing \$800m. in Baja California, a \$670m

development hand-out was promised, though the govern-ment appears little inclined to disburse such an amount. A hundred PRI election experts have been deployed to Michoscan to organise the vot-

ing. Some are practised according to party insiders and PRI renegades in the Cardenas camp. Opposition parties have lodged formal charges, accusting the PRI renegades in the cardenas camp. Opposition parties have lodged formal charges, accusting the PRI renegation and the parties are security and the parties are secured to the parties are parties are secured to the party inside and parties are secured to the parties are secured to the party inside are parties and parties are secured to the party inside are parties and parties are secured to the party inside are parties are secured to the parties are secured to the party inside are parties are secured to the par ing the PRI of having padded electoral rolls in its strong-holds and "shaving" off electors in opposition havens.

Meanwhile, in Baja California and Chihuahua states, the PRD and the PAN have large drives to organise cadres of poll-watchers to prevent and report irregularities on Sun-



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can honour his pledge to modernise the party, but also whether the government is willing to recognise the evolu-

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1. To beer and accept:
 a) the management report of the Directors
 b) the report of the Auditor.
2. To approve the Statement of Net Assets and Statement of Operations as at 31st March, 1989.
3. To discharge the Directors and the Auditor with respect to their performance of duties during the year ended 31st March, 1989.
4. To elect the Directors to serve until the next Annual General Meeting of the performance of duties during the year ended 31st March, 1989. 5. To elect the Auditor to serve until the next Annual General Meeting of

Note:

1. A Member entitled to artend and vote is entitled to appoint one or more provise to attend on a poll vote, instead of him. A proxy need not also be a member of the Corporation.

2. To be valid forms of proxy must be lodged with the Registered Office of the Corporation not later than 48 hours before the time at which the meeting is convened.

# Deng rejects Mammon and promotes plain living

IF CHINA can be said to have a strategy to combat trauma and mark out a way ahead - it is contained in a speech by Deng Xiaoping, the suoreme leader, delivered nearly three weeks ago to army command-

The full text was released yesterday and state television led its main evening news with the speech, made on June 9 five days after tanks and troops violently ended the occupation of Peking's Tiananmen Square by pro-democracy demonstrators. Leading newspapers spread it across front pages, accompanied by photo-

graphs of Deng. The 84-year-old leader explained the crisis by acknowledging that unrest was "bound to happen sooner or later" because the party had neglected proper ideological education. He said the answer to the Western threat of "bourgeoise liberalisation" was for

China to retain economic reform while attacking "spiritual pollution" by stepping up indocrination.

indocrination.

With a Mao-like slogan he explained that, "promoting plain living must be a major objective of education and this should be the keynote for the next 60 to 70 years years". He argued that the "enter-

prising spirit" which once led him to say "to get rich is glorious", must accompany a national "plain living". "I once told foreigners our worst omission of the past 10 years was in education," Deng said, adding, "What I meant was political education."

"This doesn't apply to schools and students alone, but

to the masses as a whole, and we did not say enough about plain living and the spirit of enterprise..."

Claiming economic reform had henefited China, he never-theless blamed foreigners for

having undermined stability. "We run the risk of importing evil influences from the West, and we have never underestimated such influ-

Deng said China should stick to its "basic policies" of open-ing up to the outside world, building up infrastructure, economic reform and development of agriculture.

The speech revealed Deng's belief that the army fought 2 courageous and worthy battle courageous and worth; battle
in slaying largely unarmed
civilians. With language more
suited to describing a foreign
war than a domestic upheaval,
he praised the heavily-armed
troops for killing those advocating change.

Of the ordinary citizens who
manned harricades to keen the

manned barricades to keep the army out, he said: "We should never forget how cruel our enemies are. For them we should not have an iota of forgive-



CHINESE student leader Wn'er Kaixl, in a videotape made after fleeing China, has made a dramatic vow to continue the struggle for democracy and predicted that the "wild beast"

Communist leadership will soon fall, AP reports from Hong Kong.

"This kind of government does not have the strength to continue living," Mr Wu'er said in an 18-minnte videotape shown yesterday. "They

are the people's enemies."

Mr Wn'er escaped from China with his girlf-riend, Liu Yau, despite a nationwide manhunt. He was the most charismatic of the 21 student leaders accused by the Chinese anthorities of inclting "counter revolutionary rebellion."

Mr Wn'er, at times choking back tears, made several emotional references to the people killed ouring that battle, in which much of the fighting raged along Changan Street that runs into Tiananmen Square. "I don't know how many martyrs' souls remain on Changan Street, may they forever rest in peace.

He urged those who participated in the cam-

Mr Wn'er remains in hiding in the West.

#### Bonn seeks to block Iran chemical cargo

WEST GERMANY said company, Rheineisen Export of yesterday it would try to prevent the shipment of a chemi-allegations that it co-ordinated under a foreign flag. He said he did not know the ship's name nor the nationality cal used to make deadly mustard gas from reaching Iran under a deal arranged by a West German company, Renter

Mr Herbert Schmülling, gov-ernment spokesman, told a news conference the chemical cargo - 257 tonnes of thionyl chloride manufactured in India - was still stored in India but due to be shipped to

the sale to Iran

The Foreign Ministry said on Tuesday that at West Ger-many's request, Iran had with-drawn a diplomat from Bonn who Washington said was involved in the deal.

Mr Schmülling said the Gov-ernment was trying to stop the shipment with Rheinelsen's

help.
A Transport Ministry spokes-Iran on a West German-owned freighter next month.

The Bonn Government launched an inquiry into the Treighter was now sailing

On Tuesday, State Department officials said Washington was pressing Bonn to stop the transaction.
Iran used mustard gas in its

eight-year war against Iraq. West Germany and the US hanned exports of thionyl chloride to curh the accumulation of chemical weapons by unsta-

hle Third World countries.

Mr Schmilling said it was unclear whether Rheinelsen had broken West German export laws.

# Bank of Korea plans won float

THE BANK of Korea, the South Korean central bank, has proposed ending the won's controlled float by the second half of 1990 and that commer-cial banks then be allowed to set their own rates freely, Reuter reports from Seoul.

Bank officials said the central bank's detailed proposal to the government on liberalising the foreign exchange rate sys-tem advises that the currency should be freely convertible hy mid-1990.

The Bank of Korea's proposal said South Korea should adopt the Taiwanese foreign exchange system hefore it liberalised the market next April. basket pegs the won too closely

In Taiwan, foreign exchange banks set their own currency rates which are based on the previous day's trading and allow a limited range of fluctu-

The officials said they want the won to be used in trade in services this year, then in com-modities trade by early 1990 and finally, in capital transactions by mid-1990.

Currently the central bank fixes foreign exchange rates daily, largely based on a secret trade-weighted hasket which supposedly reflects the flows of the main currencies. The officials said the present to the dollar and did not contain the currencies of its rival trade partners, such as Singapore, Taiwan and Hong

"The proposal was made because too many restrictions could severely hamper development in the foreign exchange market," one official said.
"Korea is becoming increasingly isolated in the international financial community."

To foster the foreign exchange market, restrictions should be lifted on futures transactions for financial products and on speculative invest-

#### Electricity board chiefs sacked in Thailand

By Roger Matthews in

THE Thai cabinet has sacked the chairman and most board members of the Electricity Generating Anthority of Thailand, amid fears of power blackoots later this year and battles over the government's privatisation programme.

The announcement has been interpreted as a warning to the boards of other powerful state enterprises that they cannot expect to continue in their Incrative posts while vigor-onsly opposing government

economic policy.

The electricity hoard has been accused of failing to respond promptly to the souring demand for power created by Theiland's rapid growth of industrialisation. Blectricity demand is expected to rise by about 15 per cent this year with reserve generating capacity falling from around 50 per cent three years ago to single figures.

An electricity spokesman said recently that demand last month had been running at 6.669 MW while what he described as "dependable prodescribed as "dependance pro-duction capacity" was about 6,574 MW. Thailand's maxi-mum generating capacity is 6,894 MW. The risk of local or even national power failures was therefore increasing by

the day. Cabinet members fear that extended power blackonts would damage Thailand's pop-ularity with foreign investors. They claim the electricity authority erred in its forecasts of future demand and was compounding its errors by ref-using to admit a role for the private sector in power gener-

ation. Senior Thai civil servants have said that without privatisation the electricity board would not be able to mobilise would not be able to mobilise enough capital to complete its long list of projects. The victory of the privatisation lobby was marked by the apppointment to the board of Dr Phisit Pakkasem, the newly-appointed secretary general of the National Franchise and the National Economic and Social Development Board and one of the country's most vig-orous advocates of privatisa-

The cabinet is having a similar and so far unsuccessful battle with the board of Thai Airways International which claims that it can finance new aircraft purchases without

recourse to privatisation.

The trigger for the electricity sackings is helieved to have been a row between the board and ministers over an offer from China to construct a 300 MW lignite power plant. Cabinet members favoured the scheme but it was rejected by the board on the grounds that the technology was dated.

#### Industrial index up in Japan

By Yuriko Mita in Tokyo

JAPAN'S industrial production recovered in May after steep falls in April, according to the Ministry of International Trade and Industry, reinforcing the view that the economy is continuing its

The seasonally adjusted production index rose 0.8 per cent from the previous month to stand at 119.3 (1985–100). In April, it had dropped 3.8 per cent, in part due to the intro-duction of a 3 per cent value

added tax.
Capital goods output in May
rose 0.2 per cent while construction goods were np 1.1
per cent. Durable consumer goods shipments dropped 2.5 per cent, reflecting slower exports of small cars.
Ministry officials expect

industrial ontput to rise 1.8 per cent followed by a 1.3 per cent setback in July.

# De Kock to quit SA Reserve Bank

By Anthony Robinson in Johannesburg

DR Gerhard de Kock, who played a key role in restoring South Africa's financial credihility after US banks foreclosed on their loans in August 1985, is to step down as Governor of the SA Reserve Bank at the end of October, on grounds of ill-health.

The 63-year-old Harvardtrained economist, who has run the bank since 1981, is to be succeeded by 51-year-old Dr Chris Stals. The latter spent 30 years in the bank, rising from clerk to senior deputy gover-nor, before transferring to the Treasury as director-general in

September 1885.
Dr Stals, who as chairman of the debt standstill co-ordinating committee has been responsible for re-scheduling the \$14bn of foreign bank loans frozen by the partial debt moratorium, was recently appointed special economic adviser to the Minister of Finance, Mr Barend du Plessis. He was widely expected to suc-ceed Dr de Kock who hoped to retire at the end of 1990. Dr de Kock said yesterday his health would not permit him to com-

plete 20 years as deputy and then governor of the hank. President PW Botha announced the impending res-ignation after a cabinet meet-ing which recorded its appreciation of Dr de Kock's services and appointed Dr Stals his suc-

South Africa faces a hunching of deht repayments over the next 30 months when around \$4bn of its total outstanding \$21 bn debt falls due. Foreign bankers, who have



hattan, led the way nn the principle "if you are going to panic, panic first". The exedus turned into a flood after President P W Botha's ill-fated, finger-wagging "don't push me too far speech" to a world-wide television audience on August 15. As the banks sought to call in their \$14hn nutstanding loans Pretoris was obliged to close the markets, declare a partial deht moratorium and re-introduce a two-tier finan-cial/commercial rand system. Amid the turmoil Dr de Kock slipped quietly out of the

The finest bour of Gerbardus

Petrus Christiaan de Kock, the full blooded Afrikaans name of South Africa's retiring Reserve Bank governor was

when he kept his humour, his

nerve and his dignity as half the world banking community was rushing for the South African exit in August 1985. US banks.led by Chase Man-

country and padded around the banking halls of Europe and America asking bankers to calm down. South Airlea would coutinne to pay all interest on outstanding loons and keep them "performing" on the books.

When he returned exhausted he held a press conference where he answered all questions with his usual unflappahie, drily humorous self. No country, he observed, enuld repay all its debts on the not; and South Africa was underborrowed on all technical analysis, But Sonth Africa was forced, in his words, "to act like a little Switzerland" and proceeded to repay the equiva-

lent of 3 to 5 per cent of GBP back to creditors every year. Mr de Kock, whose faiher was also Reserve Bank gover-nor, hopes to play n little golf after he retires. Many will say that's the least he deserves.

already agreed two partial re-scheduling agreements, are expected to agree another hefore June 1990 when the three-year deht arrangement ends. In a recent FT interview Dr Stals revealed that he intends "putting something creative on the table" to obtain more from foreign bankers than a limited capital repayment arrangement. After an \$11hn capital out-

flow and \$6 hn in capital repayments over the last four years, the authorities are hoping that national standing, following peace in Angola and moves towards Namibian independence, will re-open the doors to

resumed borrowing, albeit on an initially modest scale. Meanwhile the latest Reserve Bank quarterly hulle-tin, released yesterday, reveals how a surge in government spending and politically moti-vated pay increases for civil servants is undermining efforts to dampen the economy and reduce the strain on the bal-

slowed to 1.5 per cent over the first quarter from 5 per cent in 1988, the rate of gross domestic expenditure scared 6 per cent "reflecting a sourt in real government consumption expendiernment consumption expendi-ture and a reversal to signifi-cantly positive real inventory accumulation." But real house-hold spending on consumer durables, which rose by 14.5 per cent over the last quarter of 1988, fell by 2 per cent in the first quarter, reflecting the impact of higher interest rates ance of repayments.

Although the rise in GDP

and credit curbs on the private sector.

# Decoded simplicities of a five-year plan

By Anthnny Rubinson

SOUTH AFRICA'S ruling National Party yesterday unveiled a five-year plan on which it will base both its cam-paign for re-election and its strategy for a negotiated black white power sharing black white power aharing

agreement.

It will be spelt ont in greater detail by Mr F W de Klerk, the NP leader, when he sets the party's election campaign rolling at today's federal congress in Pretoria.

Written in deceptively simple style the content is long on

ple style the content is long on high sounding phrases. Like cable TV every line requires a de-coder.

The tone is set by the first line which reads "South Africa is one undivided state with one citizenship for all" - which is

true only if one ignores the existence of four so-called independent homelands" whose 8m inhabitants have been deprived of South African citizenship and made citizens of notional states, not recog-nised internationally and divided like a patchwork quilt.

Sentence two continues: "Every South African citizen "Every South African citizen has the right to participate in political decision making on all levels of government which affect his interests, subject to the principle of no-domination." Blacks in particular will question the existence of such a right when they do not have a vote for the central parlia-

a vote for the central parliament which is a radally segre-cated hody with separate houses for whites, Colonreds

preted as "a continuing veto power for whites". The plan contains stataments about common values, of which the most typical is the pious observation that "diversity in unity can in fact be enriching and beneficial". Promoting a set of common values is one of the "key objec-

tives" set out in the document. Another is "to engage recog-nised leaders of all groups committed to the pursuit of peace-ful solutions in negotiations about a new South Africa". It does not clarify what consti-tutes a "recognised leader" and gives no indication whether

and Asians. In a country domi-nated for 300 years by the white minority, the principle of no-domination is usually intermen such as Mr Nelson Man-dela or other jailed and exiled

nationalist leaders come into that category.

The three key sections of the plan cover the NP's policy towards group, meaning ethnic, rights, its thoughts on reforming the legislative and executive process and the new emphasis on a bill of individual emphasis on a bill of individual rights to buttress group rights. in all these areas the plan indicates greater flexibility than before. While accepting for the first time the right of individuals not to belong to any group, the plan will ensure the contin-uance of ethnically pure residential areas, schools and other facilities - what the rest of the world still understands

#### Swapo says voters face intimidation in Namibia

Organisation, yesterday accused South Africa of using members of a counter-insurgency unit to intimidate voters in Namibia, Michael Holman

Mr Najoma, speaking at a press conference in London, said that the force known as "koevoet", the Afrikaans for crowbar, was destroying crops

tion for hrutality during the territory's guerrilla war, was supposed to have been disbanded as part of the UN-su-pervised transition process leading to independence elections in November.

Mr Javier Perez de Cuellar, the UN Secretary-General, has warned that the unit's activities could undermine the tran-

during a 40-minute meeting earlier in the day with Sir Geoffrey Howe, the Foreign Secretary. A British spokes-man said that Sir Geoffrey told Mr Nujoma that Britain has "repeatedly" raised the matter with Pretorla, and stressed the need for all parties to do nothing to abstruct the indepen-

dence process.

MR SAM NUJOMA, leader of and killing Swapo supporters. sition.

Asked about post-index the South West Africa People's The unit, which won a reputa
Mr Nujoma raised the issue dence links with South Asked about post-index. Asked about post-indepen-Mr Nujoma said that a Swape government would look at ways of reducing trade and transport links with South Africa. He called for an intensification of economic sanctions against Preteria.

He held out the possibility that an independent Namibia might apply for membership of the Commonwealth.

# Tunis restores political rights

THE TUNISIAN parliament has ratified a general amnesty hill restoring political and civil rights to 5,416 people condemned by the former regime for their relief proper regime for their relief proper regime.

for their political views.

Members of the Islamic movement, Nahdha, stand to be the main beneficiaries of the general amnesty. Thousands of Moslem activists belonging to the Nahdha party, formerly known as the Mouvement de Tendance Islamic, were imprisoned and stripped of their political and civil rights during the era of former President Hahih Bourguiha. The mass arrest of Moslem activists is said to have been a main catalyst for Bourguiba's removal in November 1987.
The amnesty bill stipulates

violence and corruption. Mohamed Mzali, former prime minister under Hahih Bourguiba, and two former cabinet ministers — Tahar Belkhoja and Driss Guiga — are not to benefit from the amnesty law. While President Zine al-Abi-dine Ben Ali released all political prisoners when he took over power on November 7 1987, many Tunisian activists, including all leaders of the Islamic movement, remained

stripped of their political rights

and have until now been mable to play a full part in

The Tunisian government refused to legalise the Nahdha party, the country's largest opposition gronping, earlier this month on the grounds that 15 members of the movement's leadership remain stripped of their political rights. The refusal, however, left the door open for an eventual

appeal by the Islamic movement, which won 13 per cent of the national vote in legislative elections held on April 2. President Ben Ali promised after his takeover to democratise the political system and allow a multi-party system in Tunisia. While six opposition parties have heen legalised since November 7, all 141 seats in parliament remain occupied hy the ruling party.

reforms. At a meeting in the Algerian port of Oran on Tuesday night, President Chadli Bendjedid of

> They agreed to dispatch their foreign ministers to Syria and Iraq - which back opposing sides in the civil war - to pave the way for such a gathering.

were asked to continue Arab League mediation efforts by last month's Arah summit in Casablanca, appear to be making little headway towards lifting naval blockades and ending the sporadic shelling in and

around Beirut. They also appear to be receiving little co-operation from General Michel Aonn, the Christian army commander who is one of Lebanon's two

Withnnt an and to the reciprocal blockades at the very least, serious discussion of reform is unlikely if net impossible. Syria is believed to have offered to lift its blockade of Christian ports if Iraq agrees to stop sending

sceptical that Lebanese MPs will be able to agree upon an acceptable venne for any

# Jordan struggles with an economic and political tinderbox

Two months after the riots the true scale of the country's problems is beginning to sink in, writes Lamis Andoni

WO MONTHS after rioting over official price increases shook several Jordanian towns, the full enormity of the task facing the country's occision-makers is sinking in.

The riots, sparked off hy the initiation of an austerity programme agreed with the International Mooetary Fund in April, msy have helped to topple the unpopular Mr Zaid Rifai as Prime Minister. But his replacement. Sherif Zaid ben Shaker. a distant cousin of King Hussein, is confronted with exactly the same problems and pressures as he seeks to resechedule Jordan's foreign debt, restructure the economy, and adjust the country's political system to

absorb wider pomilar participation. His Government, still struggling to eke out scarce foreign currency reserves, remains committed to the IMF programme, which is coupled with \$250m in standby credits from the Fund and the World Bank. The controversial price rises for fuel and

other commodities stand. But the country at large has only recently woken up to the precise

scale of the problem. Since the new Government took office, it has been revealed that Jordan's foreign debts stand at \$8.1hn rather than the previously accepted figure of \$6.5bn. Worse still, it was disclosed that one third of the country's gold reserves had been secretly swapped to secure foreign exchange for the Central

Bank last October. The revelations, not clearly explained, underscored the former Government's failure to confront Jordanians with the true nature of the country's financial difficulties.

"Swapping the gold was certainly an nawise step," commented a Jor-danian minister. Some local personalities are demanding a thorough investigation into how the country's debts rose to the current relatively high level given Jordan's population. The most immediate problem is the low level of reserves, reflected in continuing pressure on the dinar. The currency's hlack market value has fallen to an all-time low of \$1.30 in the past two weeks, compared with an official rate of \$1.70 now and

\$2.60 as recently as October.

Real relief from this hand-to-mouth existence – either locally generated or through foreign financial assistance - is scarcely in sight. Following the formal end of a 10-year pledge of financial assistance to the "front-line states" from other Arah countries, King Hussetn's diplomacy has this year secured Arab aid in cash and kind worth around \$200m - from Iraq, Saudi Arabia, Kuwait and Oman. He may ohtain more once Jordan gains IMF approval for measures to reduce its budget deficit and approaches the Paris Club, as expected next mooth, to resechedule its government to

government debt. But this rescheduling will only hring a breathing space to prepare for the next, much more complex step of restructuring the economy. A team from the World Bank was recently in Jordan exploring possihilities for promoting export-oriented local industries. Given Jordan's meagre natural resources (apart from phosphate and cement) such a trans-formation will take a long time. Meanwhile the Government desperately needs to generate more revenue, and is studying possible tax reforms. In view of the April riots, it is acutely conscious of the need to spread the pain and promote a fairer distribution of wealth.

Although Jordanians are not poor by the standards of the developing world, social frustration is on the rise in a country where students form one third of the population, and unemployment currently exceeds 17 per cent of a workforce itself growing by 5 per cent a year.

he spectacle of long queues in front of the US embassy in Amman applying for visas has become a sign of the times. The embassy reported an increase of at least 50 per cent in visa applications this year, most of them from the

unemployed young The conundrum facing Mr Ben Shaker however, is as much political as economic. Many Jordanian politicians argue that the Government would go a long way towards easing the current uncertainty hy telaxing restrictions on political freedoms.

improving accountability, and ulti-mately fostering free elections. The new cabinet, which includes a number of respected economists and supporters of democratic reforms, is in general accessible to the public and has already allowed more free-

dom of expression. But as the eco-

political life.

nomic crisis continues, there is a growing feeling that change is slow and far from fundamental. Mr Ben Shaker has lifted security and political restrictions on five banned journalists, but the Governemnt stopped short of reversing its predecessor's press measures which amounted to a nationalisation of Jordan's two main dailies. Other more serious restrictions involve the ban-

from work or travel and the confisication of passports. Prominent Jordanian politicians, both inside and outside the Government, argue that security constraints can only aggravate social and political tensions at a time of

ning of suspected political activists

economic hardship. There is also the question of corruption. Many Jordanians are convinced a significant part of the bil-lions of aid dollars that poured into the country in the last decade has either gone to waste or into lining

important people's pockets. As part of a crackdown on corruption the Government has removed many second-tier bureaucrats. But economists and politicians argue that the presence of an effective system of accountability is the only viable solution. But here too uncertainty prevails.

After the riots, and an upsurge of

uncomfortably direct public criticism, King Hussein promised to hold the first parliamentary elections in 22 years, hut no date has been set. There is also a dispute about the electoral law. The current draft has been criticised for failing to provide proportional representation in major cities, and for including restrictions on the right of citizens to run for election. The treatment of such issnes as these will be seen in Amman as important tests of the system's ability to adapt — and by implication, of Jordan's chances of overcoming its economic crisis.

#### Lebanese parliament is urged to meet

By Andrew Gnwers,

Middle East Editor THREE Arab leaders, continuing a desultory effort to resolve Lebanon's civil war. are trying to arrange a meeting of the Lebanese parliament outside the country to discuss political

Algeria, King Fahd of Saudi Arahia and King Hassan of Morocco proposed that the parliament meet in a location chosen by its members.

However, the leaders, who

rival prime ministers, and from the Syrian Government. which supports the Moslew militias.

arms to Gen Aonn, but the signs are that Iraqi weapons supplies are continuing.
Western observers are also

nese

1m651

# The solution: Arbitration.

# Their response: Aggravation.

We're doing all we can to stop the strikes.

We know how annoying they are.

How angry they make our customers.

And what's most frustrating of all, we know how unnecessary they are.

Because the way exists to settle this dispute now.

It's through the Railway Staff National Tribunal.

It's totally independent and its chairman is agreed by management and unions.

It has a proven track record in settling differences.

The NUR are choosing not to use it.

They have failed to respond to repeated invitations from both the BR Board and ACAS to do so.

What are they afraid of?

The TSSA, the industry's second biggest union, is going to the Tribunal.

They want arbitration.

The NUR have called their next strike for 5 July, the very day of the Tribunal hearing.

For the good of our customers and of all railway staff, the NUR should think again.

They should call off the strike and go to the Tribunal next week.

3

PROPRIETARY MINES, LIMITED

#### CONTINUATION OF

Agreement has been concluded with the government and major creditors, in order that the company may continue its mining operations and the following are the main features:

MINING OPERATIONS

(a) the existing loans of R280 million from commercial banks, as well as an additional loan of up to R20 million to be made by Rand Mines Limited (RML), will be repaid out of surplus cash flow available to the company but will not be called up until the year 2002, except if deferred and capitalised interest on the loan of R20 million from a consortium of commercial banks exceeds R67 million and consortium of commercial banks exceeds R67 million and after consultation with the government;

(b) the existing interest subsidy paid by the government – i.e. above 7% per annum up to a maximum of 17% per annum - will continue until 31 December 1992;

(c) from 1 July 1989, that portion of interest not subsidised by the government in respect of the consortium loan, and interest on all other loans will be deferred and capitalised (up to a maximum of R67 million for the consortium loan) until it becomes due and payable at the latest in three equal tranches during 1993, 1994 and 1995;

(d) the aggregate amount drawn against the existing loan facility of R70 million made available by RML, of which R30 million has previously been converted into 'B' class variable rate cumulative redeemable preference shares, variable rate cumulative redeemable preference shares. will be applied in subscription for further shares of that

(e) in respect of the pumping of extraneous water, the government will provide a subsidy of R3 million per annum and a loan of R10 million each year (each loan will be interest free if it is repaid within five years), which assistance will be reviewed annually.

The directors are of the opinion that if, during the next six - the toppage treated and recovery grades are as predicted;

and
 the gold price recovers to an average of approximately R33,500 per kilogram and grows steadily thereafter;
 the arrangements set out above will enable the mine to return to profitability in the next few years.

The overall arrangements will be reviewed periodically and alternative arrangements may be adopted where it is in the

At the company's request, the listing of its shares on The Johannesburg Stock Exchange, The International Stock Exchange London and the Paris Bourse will be re-instated from Thursday. 29 June 1989.

By order of the board RAND MINES (MINING & SERVICES) LIMITED Secretaries, per T A CROSS

Registered Office: 15th Floor The Corner House resburg 2001

Services Limited 40 Holborn Viaduct

This announcement has been issued by Laurence Prust



DURBAN ROODEPOORT DEEP, LIMITED (Incorporated in the Republic of South Africa)
Registration No. 01/00926/06

**CURTAILMENT OF UNDERGROUND MINING OPERATIONS** 

At prevailing gold prices and grades of ore mined, the company continues to incur substantial losses. An application for financial assistance has been referred to the Interdepartmental Committee for State Assistance to the mining industry. This request is under consideration by the government but application will be received.

With no spectacular rise foreseen in the rand gold price, the directors have decided that, in order to limit further losses: the occessary notification has been submitted to the relevant authorities;

limited underground operations will continue in the higher grade and lower cost areas of the mine. If no financial assistance is granted by the government, it is possible that these operations will not be viable and will also have to

-production will continue with the recovery of gold from send dumps on surface.

As a result of this reduction of operations, the mine's labour complement will be drastically reduced. Every effort will be omade to relocate affected people within the Rand Mines Group and elsewhere in the mining inclustry.

The company has extensive property interests. An approach has been received from Rand Mines Properties Limited which could result in either the disposal of e major

part of this company's assets or an offer to ecquire its shares. Since this company and Rand Mines Properties are associate and subsidiary companies respectively of Rand Mines Limited, the directors have requested that an independent valuation of the company's assets and the extent of its liabilities arising from the curtailment or cessation of mining operations be undertaken in order to facilitate negotiations.

In these circumstances, the directors believe that the best interests of shareholders would not be served if the listings of the company's shares were to be re-instated on the stock exchanges in Johannesburg, London and Paris. By arrange-ment with those stock exchanges, the suspension of the tistings will remain in force.

By order of the board RAND MINES (MINING & SERVICES) LIMITED Secretaries per R H PHILLIPS

Registered Office: 15th Floor The Corner House 63 Fox Street Johannesburg 2001

Viaduct Corporate Services Lumned 40 Holborn Viaduct London EC1P IAJ

his announcement has been issued by Leurence Prust & Co Ltd, a member of The Securities Association





RAND MINES PROPERTIES LIMITED (Incorporated in the Republic of South Africa)

**CAUTIONARY ANNOUNCEMENT** 

The directors advise that Rand Mines Properties Limited has approached Durban Roodepoort Deep, Limited, as a result of that company's decision to severely curtail underground operations, with a view to acquiring a substantial part of its extensive property interests or to acquire that

company's shares. Such an acquisition could have an effect on the RMP share price and, accordingly, shareholders and investors are urged to exercise caution in dealing in RMP shares.

By order of the board

S. Mia, Secretary Registered Office: 5 Press Avenue

London Secretaries: Viaduct Corporate London ECtP IAI

This amouncement has been issued by Leurence Prust & Co Ltd, a member of The Securiti

JOHANNESBURG 29 June 1989





#### WORLD TRADE NEWS

# Canada unveils proposals to ease subsidies tension

long-awaited blneprint for more effective control of governments' massive trade-distorting subsidies to their industries and other producers. writes William Dullforce in

The Canadian initiative represents the first effort in the Uruguay Round trade talks to put together a comprehensive proposal for halting the subsi-dies race and reducing tensions created by the action of counblueprint extends the range of subsidies prohibited under the General Agreement on Tariffs and Trade and defines more clearly government assistance

deemed not to distort trade. Rules governing the mea-sures - usually import duties that Gatt allows governments to apply, to offset the competitive advantages gained by subsidised producers in exporting countries, would be improved. One aim is to prevent governments from exploiting their countervailing rights to harass legitimate trade. On the other hand, tests for deciding if counter action was legitimate would include the displacing of imports in the home market of a subsidising country or in third-country markets.

Export credit guarantee pro-grammes that do not cover their long-term operating costs

would be regarded as subsidies on exports. They would be subjected to a stronger obligation to recover their costs.

The Canadians bope their proposal will stimulate the group dealing with subsidies and countervailing duties under the Uruguay Round. Mr Thomas Bernes, Canada's sub-sidies negotiator, said reaction had been more encouraging than expected. The group has been hampered because its area overlaps with those of ether groups, in particular with that handling the reform of agricultural trade, where subsidies are a core issue. The hope is that the Cana-dian paper can resolve a difference of approach to subsidies within Gatt. Some countries, the US above all, want to abolish subsidies or at least drastically tighten the rules. Washington's recent campaign against government finance for the European Airbus illus-

trates its attitude. Developing countries and others stress what they regard as an abusive use of Gatt's countervailing mecbanism.

They point out that the US has originated 90 per cent of the countervailing duties imposed

this detade. Gatt's subsidies code, which emerged from the previous Tokyo Round of trade liberalisation, has proved inadequate

and the Gatt secretariat has reported a substantial increase in the use of trade-distorting subsidies in the 1980s. Cana da's proposals would curtail the subsidies, discipline the use of countervailing measures, revise the dispute settle-ment procedures in Gatt's code and establish a standing panel to monitor compliance with the rules. They also offer poorer nations some flexibility

mote development.
A basic condition for counter-action would be financial support from a government to the exporter. Government provision of equity capital would not be considered a subsidy if

in the use of subsidies to pro-

the shares were purchased at market prices. The amount of subsidy in a government loan would be measured as the difference between the interest rate charged and the comparable interest rate that a private lender would charge. Use of countervailing duties should be precluded, the Canadians propose, when the subsidy is less than a given per cent of the unit value of the imported

Countervalling duties would lapse automatically after five years, unless a review was conducted. But even after a review the duties could be renewed for a maximum of three more

By Peter Marsh

IMPERIAL Chemical Industries, Britain's biggest chemicals group, plans to step up investment in the Far East as part of an effort to double the proportion of its sales from this region by the end of the

century.

ICI, with sales last year of £11.7bn, gained only about 8 per cent of this figure from Japan and the rest of southeast Asia, not including Australis and New Zealand.

Mr Chris Hampson, ICI direc-

tor in charge of its operations in the Far East, said the com-pany was alming to gain 16 per cent of total sales from the region by the year 2000. Mr Hampson said that 40 per cent of total growth in the world chemicals industry was likely to come over the next

few years from Japan and other countries in the Pacific Rim. It was vital, therefore, for ICI to step up its presence.
Besides Japan, the most promising countries for growth in chemicals demand, according to Mr Hampson, include Sonth Korea, Taiwan, Hong Kong, Singapore and Malaysia. ICI's plans for the Far East

- mirroring similar ideas under study by several other big Western chemicals groups - are likely to involve investments in plants making spe-cific, non-commodity chemicals geared to fast growing indus-tries in Japan and neighbour-

Mr Hampson said ICI was particularly keen to expand in areas such as dyestuffs and textiles chemicals, chemicals whose use is linked to the expanding production of fabrics and other clothing materials in the Far East.

Other product areas in which ICI believes it is in a good position to expand in the Far East include polyurethane plastics and specific raw mate-rials for polyester fibres. ICI clean up, page 7

# Turkey fixes credit line

By Jim Bodgener in Ankara

A MANDATE for a three-year \$150m general purpose line of credit has been awarded by the Export-Import Bank of Turkey (Eximbank) to Citi-bank of the US. The proceeds will back up the exchange deal Turkey has with the Soviet Union for the import of natu-

At 5 over Libor the funds will be linked to the 30 per cent of payments for the gas that Turkey makes in cash, the remainder being in goods Turkey has sought to pay the whole bill in goods and services. A \$150m line of credit agreed with the Soviet Union in April will go far towards

achieving this.

However, a \$350m credit to fund construction contracts for Turkish companies in the Soviet Union is making less headway because of Moscow's preference for consumer goods and borrowing founded on trade visibles.

# ICI aiming to double Italian exporters wait for the state business in Far East to get its supporting act together

The trade deficit points to structural industrial weaknesses, writes John Wyles

HE HOLLOW sounds emitted by many gather-ings of Italian industri-alists these days are more often than not due to beating of breasts about rising costs and growing competitive pressures. Those arrivors to drive the point home are beginning to cite the nation's trade deficit, which in the first four months this year is close to the L12,875bm (£5,9bm) total for all

But lamentations from Mr Sergio Pininfarina, the president of Confindustria, the main Italian business organisation, about a 10 per cent rise in labour costs owe more to the imminence at the end of the year of the triennial round of national pay negotiations than to solidly-based fears that Ifalian companies are losing ground in domestic and foreign

There is much evidence to suggest the contrary: that for 15 years Italian exporters have held on to and in many cases expanded their share of those world markets in which they excel - textiles and clothing shoes and leather goods, wood, furniture and engineering products. Overall, Italy's share of world trade in manufactured products, now around 6 per cent, has declined slightly this decade but it is still higher than it was 15 years ago. West Germany, France and Britain all have a lower share.

This is not to deny that there are important structural weaknesses in Italy's trading post-tion which are highlighted by the rapid deterioration in the balance of trade figures. The first, as Mr Renato Ruggiero, the Minister for Foreign Trade,



explained in an interview with the Financial Times, is a pro-pensity to import when domes-tic economic growth is running above 2.5 per cent a year. Volume growth of imports

last year was 7.1 per cent (11.1 per cent in value) against a strong rise in export volumes of 5.9 per cent (11 per cent in value). In the first four months of this year exports have risen by 18.8 per cent in value terms and imports by 24 per cent. This surge of imports reflects not only the country's need to import 80 per cent of its energy requirements at a time of a ris-ing dollar but also large and traditional deficits on the food account and in sectors such as chemicals.

Above all and very positively, the rising deficit high-lights "the major re-equipping of Italian industry which is now underway with imports of advanced technologies," says Mr Reggiero. According to a recent report from the Institute of Foreign Trade (ICE), the

largest single sectoral growth its trade deficits have main-

in imports last year was the 15.7 per cent rise in investment Italy has to import because it cannot produce enough of these goods. The country is structurally ill-equipped for meeting domestic and foreign demand for substantially advanced technology products such as office equipment and electronic goods. One Olivetti is clearly not enough, although according to the ICE report domestic producers of office equipment and electronics products have managed to expand their domestic market share as measured by constant prices, although they have sur-rendered 13 percentage points of share in nominal terms over the last 15 years.

The relative under-capacity of Italian industry in techno-logical sectors is illustrated by the fact that such exports account for 12.1 per cent of the Italian total compared with 15.8 per cent for the EC as a whole, excluding Italy, and 20 per cent for all industrialised, open-market countries. The same holds true for the motor industry, notwithstanding the impressive growth of Fiat — vehicles and components accounted for 7.1 per cent of Italian exports in 1986-87 against an EC average of 12.9 per cent and 15.1 per cent for all industrialised market econ-

This weakness is the key to the fact that since 1963 Italian exports have lagged behind the annual growth of world trade by about 2 percentage points.
Italian exports may not have kept up with world trade but

its trade deficits have main-tained a respectable downward trend from a peak of 3.8 per cent of Gross Domestic Product in 1986 to a near balance of 0.4 per cent in 1986, rising to a modest 1.2 per cent last year. Apart from falling oil prices, the reason is that Italian pro-ducers have been more than holding their own in battles holding their own in battles

with newly industrialised countries determined to make inroads into the markets for Italy's traditional products. In this decade Italy's shares of world manufacturing exports in five sectors - office equipment, electronic goods. equipment, electronic goods, vehicles and components, shoes and leather goods and rubber and plastic products—have fallen by margins of 0.1 per cent to 1.7 per cent but have visen in each of the other 11 product categories.

All this has been achieved without the export aids and nsurance guarantees available in West Germany, France and Britain. On the promotional side, Mr Ruggiero has made a start by reforming ICE from a sleepy, rather politicised, agency into a more profession-ally managed and, he hopes, results oriented agency. The next priorities are to

improve the quality of finan-cial services available to exporters, including an expansion of the activities of Sace, the export credits insurance agency. He regards such reforms as obligatory as the European Community's single market looms. The last 15 years have proved what sharp exporters the Italians are; many now dream of what they could do with an efficient state behind them.

#### Japan ignores US protectionism claim to boost domestic satellite industry

ment, in implementing the

By Yuriko Mita in Tokyo

JAPAN'S Ministry of Posts and Telecommunications (MPT) has given the green light for independent development of a new generation of communica-tions satellites, called CS-4, in spite of complaints from the US about protectionism in Japan's satellite market.

The decision follows a report by a space communications advisory panel to the ministry stressing the need for Japan to continue strengthening its own technological foundations for communications and broadcasting satellites.
Last month, the US governSuper-301 clause of last year's trade act, singled out satellites as one of three Japanese markets where imports were at an unfair disadvantage. It argued that the Japanese government forced public agencies to buy satellites from within Japan to nurture local manufacturers. Japanese government officials have insisted that its policy favouring the development of the domestic satellite industry will not preclude government agencies from continuing their purchases of satellites and paris from other countries.

The panel has recommended that further development should be targeted on the development of the CS4 communications and BS-4 broad-casting satellites in 1990 and 1991. The ministry has announced it would like to latinch the CS-4 followed by a back-up satellite in fiscal 1985.

Japan should co-operate more in international space development projects and draw more on foreign technology for its own space projects, according to the Space Activities Commission, an advisory body to the Prime Minister.

# Colombo port at standstill over pay deal, Indian goods boycott

Premadasa's most popular polls promise back in Decem-ber when he offered a poverty

alleviation programme called Janasaviya for 1.4mm of Sri Lanka's poorest families.

Although the International

Mosetary Fund frowned on the

programme, he went ahead pledging Rs1,400 in cash and

the balance as compulsory

savings for a family of five

without a steady wage earner.
Last month, the President
also agreed to raise the

take-bome pay of junior uni-

versity employees to Rs2,435. The campuses have been

closed for three years by strikes led by pro-JVP student unions. The JVP has no real

trade union base. Yet, the magic "2,500" slogan, together

with the JVP's pressure and-

terror tactics, resulted in a

transport strike, supported by "token" and "sympathy" strikes in the public sector,

sudden work stoppages and

wildcat strikes in leading pri-vate firms. The Government cannot afford the pay rise.

The IMF has insisted on

strict spending curbs before it

considers releasing the second instalment (\$66m) of a vital

loan. With inflation rising, and foreign exchange reserves at

By Mervyn de Silva in Colombo

REGULAR joggers along Colombo's seafront often end their morning exertion by counting ships. Over the week-end, there were nine vessels lined up outside the port, many of them loaded with Indian Port workers have been ref-

using to handle Indian cargo, respecting an appeal issued by the DJV (the Patriotic People's Movement), the military wing of the extremist Sinhala JVP. Though the "boycott" covers a wide range of goods (textiles, a wide range of goods (textiles, pharmaceuticals, buses, trucks, and popular food items), exports from India add up to less than five per cent of Sri Lanka's imports. The cain-paign against Indian imports has been so effective that all has been so effective that all Indian movies have been taken off the screen by cinema owners, and even state-run television suspended a popular

Tamil series. At the port, the queue of ships had lengthened and on Tuesday 12 ships were waiting to be unloaded. By Wednesday the number had risen to 19, not all of which were carrying Indian cargo.

Port authority officials, who claim that Colombo is now the busiest and most modern port in South Asia, blamed the transport strike for a 40 per cent turnout of port labour. A strike by some 30,000 employ-ees of the state transport board entered its third week on Mon-

Their main demand is a mintheir lowest level this decade, imum wage of Rs2,500 (\$100). The number "2,500" is painted the IMF urges massive devaluin red on the city's walls. The wage demand, though modest, is an inspired political gim-mick as Rs2,500 was President Premadasa's response has

been to re-introduce the five-year state of emergency which lapsed in January, and to bring the army out of their barracks. He gave an ultimatum to the strikers - return to work by Monday or lose their jobs. The strikers preferred to defy the government rather than incur the JVP's wrath as its reprisals can be swift and merciless.

An emergency regulation which carries the death penalty for any "threat of death or bodily harm" through speech, poster or leaflet came into effect yesterday. The opposi-tion parties have asked the president to withdraw the dis-missal order and to open talks with the transport unions.

Premadasa's confrontation with the unions and the JVP aggravatesthe crisis caused by his virtual marching orders to the 45,000 strong Indian peace-keeping force. Mr Rajiv Gandhi, the Indian Prime Minister, argues that the issue comes under the India-Sri Lanka "peace accord" and is thus a bilateral matter requir-

ing consultations. Sri Lanka is boycotting the seven-nation South Asian for eign ministers meeting this week in Islamabad. "The edge of anarchy," is how plantations minister, Mr Gamini Dissanayake describes the situation.

# General Meeting of Shareholders

(on lune, 30th at 12 a.m. at the second notice)

The Board of Directors of Telefonics de España, S.A., with the historisticon and coursed of the Secretary and Legal Advisor, accord to Chapter III of the Anticles of Association of the company and or applicable laws, agreed to call shareholders to a General Meeting, at fedicare.

FIRST NOTICE:

SECOND NOTICE:

Place Paseo de la Castellana, 259 Hadrid (Pabellón de Deportes de la Cudad Deportus del Real Madrid). If quorum, as laid down in époté the law and the Asticles of

Date: June 30th Hour: 12 a.m.
Plice: Paseo de la Catalillina, 259 Mr.
le Cludad Deporthe del fiel Madrid). OBJECT OF THE MEETING:

The object of this meeting is to submit to the deliberation resolution of the Annual Meeting, the matters included in the



BENDA

Belaninsten and approval, where appropriate, of the Annual
Report, the Balance Sheet and the Profit, and Loss Account
corresponding to financial year 1988, and the profit of the Control for
distribution of profits corresponding to said year
Approval, where appropriate, of the management according to the profits of Directors during 1988.

Lessi and statutory accompanies. Legal and statutory appointments: ILI. Designation of Audiding Sharcholders for Strandal year

IV. Authorisation to the Board of Directors for performance of a

capital increase, with new wording of Articles 6 of the Corporate Bylaws.
Authorisation to the Board of Directors for Issue of nds, Promissory Notes and other securitie stock or financial in

Application for submission to the Consolidated T. Specific of Groups of Companies, if this agreed.

MEETING AT THE SECOND NOTICE

After the research included in the Agenda, it is not possible to estitivate the releases at the first notice, the starsholders are advised that if not published otherwise, the Meeting will place at the sec

Madrid June. Ist of 1989, THE SECRETARY OR THE BOARD OF

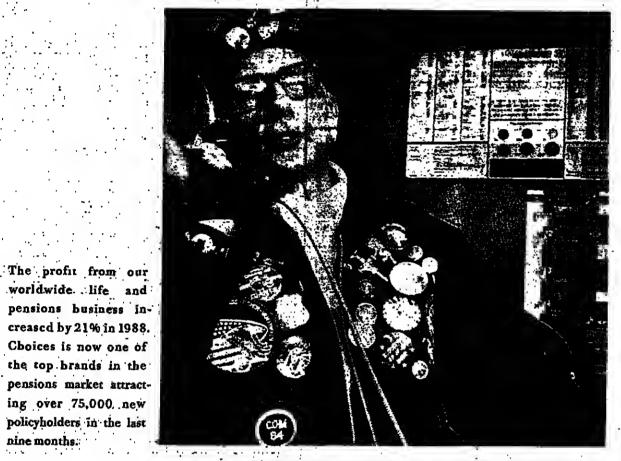








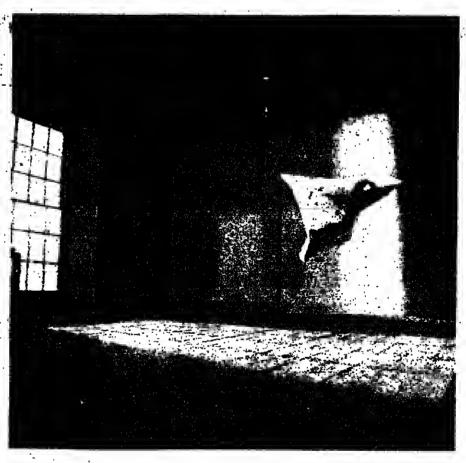
Our Blue Plao motor policy currently covers l io 20 private motorists. Private motor and household insurance showed a combined uoderwriting profit of 8% in 1988.





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& Taylor Nclson.)

nine months.

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# Get the picture?

Guardian Royal Exchange is the only UK composite insurer with dividend growth of at least 10% for every one of the last 15 years. Our 1988 dividend was up by 22%.



GUARDIAN ROYAL EXCHANGE One step ahead, then another

# BSB shareholders explore link with Murdoch's Sky

By Raymond Snoddy

SEVERAL leading has been forced out," Mr Lee shareholders in British Satellite Broadcasting are exploring the possibility of co-operation involved in the now-aborted with Mr Rupert Murdoch's Sky Television to try to avoid a damaging and costly battle between the two rival satellite

television systems One significant BSB share-holder, who asked not to be named at this stage, said the aim was to see if there was a way to make it possible for the services of both BSB, which plans a launch in the spring. and Sky Television to be

received on a single aerial.
Under current plans the
rival systems are incompatible.
The small informal group is being advised by Mr James Lee, the media consultant of the Boston Consulting Group and former chief executive of

Pearson Longman.

Mr Lee, who led one of the unsuccessful consortia for the satellite broadcasting franchise ultimately won by BSB, warned at a conference earlier this month that the economics of satellite broadcasting had been destroyed at a stroke by the competition between Sky and BSB for programme and

"It is reasonable to predict that neither competitor will be able to break even until one

joint venture plans drawn up by The Disney Channel and Sky Television suggested that a partial merger between BSB and Sky made complete sense from a marketing and financial point of view.

The two groups, Mr Lee suggested, could set up a joint subscription film channel with a single customer management operation while competing with their advertising-financed

channels.
For such a merger to be viable, either BSB would have to abandon its separate satellites and join Mr Murdoch on the 16-channel Astra satellite or BSB would have to persuade Sky to move to its system.
The two BSB satellites could be turned into a 10-channel.

be turned into a 10-channel, high-power system by pooling the five direct broadcasting channels allocated by interna-tional agreement to the UK and Ireland. Government approval would have to be sought for this and for the concentration of media power of media power a joint BSB-Sky

project would involve.

There have also been informal approaches from individual representatives of Sky Television to individual BSB shareholders on the merit of a joint

satellite venture. The main BSB sharebolders include the Bond Corporation of Australia, Granada, the UK leisure and entertainments group, Pearson, publishers of the Financial Times, and Reed International, the UK printing

and publishing group.
It is unclear how many of
BSB's 10 shareholders would
be sympathetic to the idea of co-operation with Mr Murdoch. Some of the major shareholders such as Granada are still confident that BSB can make it on its own despite the fact a further £400m has to be raised in addition to the £423m

already committed.
The financial pressures could, however, grow on Mr Murdoch if losses were to continue to run at around £150m a

For BSB the outlook would begin to get serious if the res-cheduled launch, now thought to be March, were to slip even further because of technical difficulties.
It is clear that a merged sat-

ellite television operation would stand a much greater chance of commercial success at least in the short to medium term than a head-on contest which will split the market.

#### Britain and Brazil agree rainforest project

By Robert Graham

BRITAIN and Brazil will next month sign a pioneering envi-ronmental agreement monitoring the resources of the Ama zonian rainforest.

The agreement will be signed by Mr Christopher Pat-ten, Minister for Overseas Development, during a visit to Brazil from July 4-9. This will provide for Britain's various tropical research facilities to be channelled in a co-ordinated response to requests from the Brazilian Govern-ment for studying the rainfo-

Until now, the Brazilian Government has been extremely sensitive about any offers of international help in Amazonia, tending to regard them as interference in domes-tic affairs. The British Government was among the first to be approached for ideas and has en the first to respond, the agreement being put together in less than three months.

British officials were con-cerned that wide publicity in the Brazilian press given to reports published in the Lon-don Sunday Times newspaper about activities of UK companies in Amazonia might cast a cloud over Mr Patten's visit.

# UK telecom retailers in joint venture

By Hugo Dixon

preneurs. Mr Martin Dawes and Mr Marc Albert, have joined forces to spread cellular communications across continental Europe.

They have formed Martin Dawee Communications Europe, in which each will Europe, in which each winhave a 50 per cent stake.

The new group has already set up embryonic operations in France and West Germany, and plans to expand to haly, Spain and elsewhere over the

Mr Albert and Mr Dawes

have been among the most suc-cessful of the UK's cellular service providers, the function of

TWO OF the UK's leading mobile communications entrepreneurs. Mr Martin Dawes which isto retail mobile communications for Racal Telecom and Cellnet, Britain's two net-

work operators. Their aggressive marketing-led approach has been a factor behind the spectacular growth of cellular communications in the UK and has also made each man a multi-millionaire.

In most of continental Emope, however, mobile com-munications have been slow to take off, partly because they have been run as monopoly

These markets, however, are expected to take off, after the cision by France and West Germany to license second operators to compete with

their monopolies and in the run-up to the launch of the pan-European cellular system from 1991.

Mr Albert and Mr Dawes are setting up operations now to benefit from the expected explosion in demand. Their initial investment in

the venture will be £4m, rising to £10m during the next two to three years. Other UK groups, especially Racal Telecom, are keen to attack the same mar-

The group will have two separate businesses beneath it: Eurocellular, which will be managed by Mr Albert, will be responsible for selling cellular phones directly to customers

either from shops or by advertising and Martin Dawes Com-munications, which will be managed by Mr Dawes, will concentrate on establishing a European network of dealers.

The entrepreneurs say they are confident of good margins on the venture because of the high price of cellular phones on the Continent. Big profits will only materialise from their venture bowever if other venture, however, if other Rumpean countries adopt the UK practice of allowing service

These not only make a turn on selling equipment, but also get a share of the revenus spent on making phone calls.

#### Toyota to announce site

TOYOTA, Japan's leading car maker, is expacted to announca in the next two weeks that it has chosen Shot-ton, North Wales, as the site for its planned European engine plant, writes Kevin Dome.

The company is planning to invest around Y30bn (£136m) in the plant, which could also be used to produce other automotiva components such as steering components and dri-

veshafts The plant is expected to create about 300 jobs, but this

could be increased later in the

the North Wales engine plant will follow less than three months after the company revealed its plans to spend £700m to build its first European car assembly plant at Burnaston, near Derby in the East Midlands with a capacity for building 200,000 cars a year by the second half of the 1990s.

The two plants will involve a total investment of about £835m, the biggest Japanese inward investment in Europe.

#### Rescue cannot shift liability, says Lloyd's

By Patrick Cockburn

THE COUNCIL of Lloyd's, the THE COUNCIL of Lloyd's, the private insurance market, will not agree to any rescue plan for loss-making syndicates which shifts liability from members affected to members who have escaped loss, Mr Murray Lawrence, the chairman of Lloyd's told its annual

general meeting yesterday.
He rejected euggestions that
the council of Lloyd's was passive in the face of the mount-ing losses, now totalling £304m, facing members of the RHM

Onthwaite syndicates 317/661.

Mr Lawrence identified the main problem facing Lloyd's as being the 114 years in which syndicates cannot declare final results because of uncertainty over future liabilities. He said Lloyd'e council wanted "to ensure that any agent who takes this route does so truly as a course of last resort and never as any easy option."
Mr Murdoch Macleod, a spokesman for RHM Outh-

waite, said later that the underwriting agency was frus-trated by Lloyd's refusal to discuss a rescue plan it had pro-posed. He added: "It is very difficult to get Lloyd's off anto-

matic pilot when it comes to talking about unlimited liabil-

Criticising the approach of the council to the problem of the open years and Outhwalte Mr John Donner, chairman of Donner Underwriting Agen-cies, told the annual general meeting that the present Lloyd's system was devised to cope with normal hull, cargo, fire arcident and motor hists. fire, accident and motor bust-

He said, however, that the present Lloyd's accounting sys-tem was proving inadequate when it came to US casualty business, where potential lia-bilities were immense, but future exposure impossible to

This had become clear only ance the early 1980s. Members of syndicates or "names" therefore have to pay cash to meet losses which are forecast rather than known to have

Mr Donner said the solution to the problem of the open years was for claims to be set-tled on the basis of claims

#### **OBITUARY**

#### Margaret van Hattem: interpreter of politics

MARGARET van Hattem, who manusants: van statem, who died yesterday at the age of 40, was one of the most vivid writers and personalities the Financial Times has seen in

the last generation. She was also a wo extraordinary bravery. Her

determination to continue working and to experience life to the full in the face of the most devastating of illnesses defied belief.

Born in the Netherlands, Australian by nationality and education, and a product of the Remers news agency school of Reuters news agency school of journalism, Margaret joined the FTe foreign desk late in

Two years later, she was in Brussels specialising in the common agricultural policy. In 1960, she was transferred to the political reporting team in Westminster. In 1986, she was made East Europe correspon-dent, based in London.

Journalists are often remembered by their stories and Margaret had her share of good

Her understanding of the CAP at the turn of this decade. CAP at the turn of this decade, when it was the most important story in Brussels, was exceptional both for its grasp of detail and its political feel.

In domestic politics it was her coverage of Ulster that stood out, in which she was undoubtedly helped by her long-standing relationship with Brian Inglis, the anthor and journalist. She knew all the players, all the angles and all

journalist. She knew all the players, all the angles and all the motives.

She could also lay claim to have been in the summer of 1963 the first political reporter to state unhesitatingly in print that Mr Neil Kinnock would succeed Mr Michael Foot as leader of the Labour Party—and to explain why and how.

Even though her movement

Even though her movement as East Europe correspondent was necessarily limited by her illness, the mind and pen were as sharp as ever in some withering editorials and columns on Cennescon's rarease. on Ceausescu's rape of Romania and and in thoughtful analyses of the changes that Mr Mikhail Gorbachev was bringing to the Soviet Union and to the region as a whole. She once described Yugo-slavia as "a doughnut with a hole in the centre through which fall all unity, co-ordination and hope of efficient

But the best journalists are also known for the way stories are told and in this respect, Margaret was exceptional. She loved words and her ability to turn a phrase could render the dense and complex instantly

Thus, she once likened the common agricultural policy to one of those dinners where everyone shares the bill so you might as well order lobster." Again, on the same subject, "trying to help small farmers



Margaret van Haltene notable Ulster coverage

by increasing prices further is like jacking up a skyscraper instead of adding a top floor the cost is enormous and the effect on the small farmers minimal." There was, perhaps, no finer

example of colour writing to grace the FT in many a year than her account, early in 1988, of heing roughed up at an Ian Paisley rally in Omagh. It ended as follows: "As I have often had occasion to speak to Mr Paisley and Mr (James) Molvneaux in the Members' Molyneaux in the Members'
Lobby at Westminster, I know
them to be prudent, discreet
men and am grateful for their
prudent, discreet rescue. All the same I will take no more chances. Can someone please send me the words of The Sash

send me the words of The Sasta
My Father Wore?"

Of an early operation against
her terminal brain tumour, she
wrote: "It was when I caught
sight of the surgeon's green
wellingtons that mild panic set
in. I was prepared for a certain
amount of mess in the operating theatre. I had not thought
we'd be ankle deep in it."

And, when she was really
"into" a story like Ireland,
when her understanding com-

when her understanding, com-mitment and writing ability all came together at once, the results could be magisterial. Her analysis of the Anglo-Irish Agreement is still shown to newcomers to the FT as the exemplar of how to write a fea-

Above all, there was a passion to Margaret, in her life, her loves, of people, poetry, painting and music, her beliefs and her work. She would fight for all of them with a fience tenacity and if – just occasionally – this exasperated her colally - this exasperated her colleagues and friends it also engendered enormous respect

and even greater affection.

Never more than in her struggle against the tunours which finally killed her. Even near the very end, she spoke of coming back to work, of travel, of ideas. Given the extraordinary way she could spin them. all into words, it is a terrible loss that she cannot.

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1	Position
i	Company
i	Address
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1	
I	Postcode
1	Size of Fleet
İ	Post to Master Hire Leasing, 20 Willes Road, Learnington Spa CV32 4HB.

**YAUXHALL. ONCE DRIVEN, FOREVER SMITTEN.** 

#### **Property** agents 'fail to satisfy customers'

By Andrew Taylor, Construction Correspondent

MANY British estate agents MANY British estate agents are fulling to satisfy basic customer requirements according to a survey conducted by Contury 21, the world's largest estate agency franchise organisation, said septenday.

Century 21 is owned by Metropolitan Life, the large US life insurance group and began operating in the UK last year. It last a network of more than 50 offices in southern England and Northern Ireland.

Mr Harold Hodes managing director of of Century 21 UK said: "Our findings reveal that

said: "Our findings reveal that tasks which should form a standard part of most agents service simply are not being

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as to exactly what they should as to exactly what they should expect from agents with many classing as desirable services those which they should be demanding by right."

Specific complaints from customers included the fact that many agents did not accompany potential buyers when viswing properties. Agents also failed to provide details of their viewers' reactions after visits.

Customers said many agents did not provide regular updates on the progress of sales.

buted poor quality service to young, inexperienced staff who were described by some as brain, untrustworthy or

as brain, untrustworthy or simply accompetent.

Mr Jodes said: "While young taff shoulder much of the blane from customers, the problem really lies in a lack of interpersonal and sales skills

acrossithe board." He ald customers wanted more selective targeting of buyet for specific properties, as well as advertising of homes in branch windows, local sepers and property mag-

Century 21, which says it is represented in 10 per cent of house sales in the US, has 7,000 branches worldwide including offices in France, Japan, Australia, Singapore

# Rail disruption set to deepen after strike

through industrial action is set to deepen following the second one-day national rall strike yesterday, which caused widespread disruption in Lon-don and other cities.

Leaders of the National Union of Rail-waymen will today much be madden.

waymen will today meet to consider stepping up disruption. Members of the rall drivers' union, Aslef, voted by a 13 to one majority yesterday to go on an official 24-hour strike on London Under-

Mrs Margaret Thatcher, the Prime Minister, accused rail workers of not "giving a damn" about the inconvenience they caused. Her remarks were taken as a further indication that the Government may try to cush utilic its. Government may try to curb public sec-

Government may try to curb public sec-tor strikes.

Mrs Thatcher said in an interview on Mr Rupert Murdoch's Sky Television; that it was "absolutely diagraculu" that people in the transport unions did not think about their fellow citizens. The Cabinet is to consider the strikes today. Mr Norman Fowler, Employment Sec-retary, said in a speech last night that

THE REDUCED band of British

MR RICHARD Branson's Virgin Group is close to a deal that would see control of his film and video distribution company, Virgin Vision, pass to the Management Company Entertainment Group of Los Angeles, writes Raymond Smoddy:

The deal is believed to be

The deal is believed to be

worth around \$85m although

payment will be in a mixture

of cash and shares.

MCEG; a Nasdaq quoted company is involved in film and video production and in

Andrew State Control of the State of State of

the NUR in its dispute with British Rail over pay and plans to break up national

pay bargaining.

There was a limited service of 26 trains on London Underground yester-day because Aslef members did not join the NUB strike. But Aslef later announced that its drivers had voted by 1,052 to 78 for a 24-hour strike next

Wednesday.

There was much heavier traffic congestion in London yesterday than during last week's strike. The Confederation of British Industry, the employers' federation, estimated that 75 per cent of workers in the capital had gone to work, compared to 60 per cent last

week.

Pelice estimated that traffic was two or three times as heavy, with long tall-hacks on nearly all main roads in and out of the capital, Traffic jams stretched

DISRUPTION of British transport the NUR was trying to exploit their through industrial action is set to deepen following the second one-day national rail strike yesterday, which caused widespread disruption in London and other cities.

The NUR was trying to exploit their their working day to get home quicker.

Manchester was the worst hit city outside London, with heavy traffic consistence of the country were halted due to a 24-hour strike by the NUR is a second wednesday.

But he nurse and motorists cut their working day to get home quicker.

Manchester was the worst hit city outside London, with heavy traffic consistence of the country were halted due to a 24-hour strike by the NUR is a second wednesday. six miles were reported on the MB motorway to the north of Birmingham, and long lines of vehicles also built up

and long these of venicles also built up in Glasgow.

Although support for the rail sirike was virtually solid throughout Britain, police reported that traffic in other cities around the country only alightly increased traffic problems.

Mr. Britania Kraup MIRS accordance.

Mr Jimmy Knapp, NUR general secre-tary, said the action would continue for as long as it took to get British Rail into serious negotiations. He said support for strikes remained solid and his mem-bers would continue until justice is

BR has said the dispute can be resolved there alone, but the NUR is opposed because the tribunal can consider only pay. The union is vehe-mently apposed to separating pay from the linked issue of national collective

bergsining.
Delegates stressed this yesterday in a heated debate on negotiating machin-ery. This dispute is about defending our union and our union's right to defend us, said Mr Keith Simpson, from Sheffield.

from Sheffield.

Opposition to the tribunal was voiced yesterday by Mr Derrik Fullick, general secretary designate of Asief, which next Wednesday is expected to announce the result of a ballot in favour of an over-

Mr Knapp said the Aslef vote meant that "it won't be long before we have a totally united stand against both British Bail and London Underground. It's getting stronger by the day."

The NUR conference will today to be properly a paint in particular and overtime ban on British Bail. Mr Fullick less night appeared to distance himself from Mr Knapp's call for a united 24-hour strike, but an indefinite overtime ban by drivers will cause continuous delays to the rail system.

By David Barchard

Warning on

powerful warnings yesterday that proposed amendments to the Companies Bill could

introduced a year ago under the Financial Services Act.

FINERA fears the amendments could open the way for a steady decline in standards of asteguards for investors.

A new clause due to be inserted into the Financial Ser-vices Act would allow Salf Regulating Organisations to

#### **Government stands** firm on auction of television licences

By Raymond Snoddy

THE GOVERNMENT has with the principle of good qualrejected the united claim of Britain's 16 ITV companies that auctions of broadcasting licences will reduce the range of quality and choice on Brit-ish television.

Mr Timothy Renton, the Home Office Minister responsinome Unice minister respons-ble for broadcasting, argues in a letter in today's Financial Times that "the Government is absolutely committed to the preservation of the range and quality of programme ser-

quality of programme services."

The Minister was responding to a policy statement made for all the ITV companies by Mr. Richard Dunn, chairman of the ITV Association and managing director of Thames Television, who will all the companies.

director of Thames Television, who said all the companies were "implacably and unanimously opposed" to government suction plans.

In a letter to the Financial Times last week, Mr Dunn also promised to fight government plans through the House of Commons and the House of Lords. He said he would try to make what he saw as the make what he saw as the threat to quality television an

ity television.

There is no question of a laissez-faire arrangement," Mr

Renton says.

It would be no mean task, the Minister argues, for bidders for Channel 3, the renamed ITV channel, and the new Channel 5 to pass the quality threshold, including require-ments for high quality news and current affairs and a and current affairs and a diverse service which would have a reasonable proportion of programmes of high quality.

"No bidder unable to satisfy the quality threshold will even get to the stage of having his bid considered," the Home Office Minister insists.

The Independent Television Commission would also have real sanctions if licence conditions were not met including

tions were not met, including in the last instance removal of the licence and forfeiture of a substantial performance bond. "Mr Dunn is incorrect in say-

ing that the purpose of the new arrangements is to maximise the revenue for the Treasury." Mr Renton says.

threat to quality television an election issue.

Mr Renton says Mr Dunn has got it wrong by assuming that the process of suctioning franchises must be in conflict

Mr Renton says.

The purpose of the proposals was to maintain the desired range and quality of programmes and provide a proper return to the taxpayer, he said.

#### Conservative MEPs move towards centre protection But Mr Peter Price, a leading Tory MEP, said yesterday that there was a clear need for of investors

THE REDUCED band of British Conservative Members of the European Parliament (MEPs) have decided to try to join the Christian Democrat group in the new Strasbourg assembly, representing a shift towards the political centre.

The move, decided on Tuesday at a meeting of the 32 Tory MEPs, partly reflects the wide-spread feeling that Prime Minister Margaret Thatcher's assertively nationalist stance European Democratic Group (EDG), of which the UK Tories were the backbone, has now been so reduced by defeat and defection, from 66 in the last Parliament to 34, that it could no longer be effective.

deal with US film company

The two Danish conservative members of the EDG are understood to favour a move to the Christian Democrats, or the European People's Party assertively nationalist stance was largely to blame for the party's loss of 12 seats in the June 15 poll. (EPP) as they are known at Strasbourg. The other main constituent of the erstwhile EDG were Spanish Partido

the medicine of a entertainment talent.

The US company plans to produce a minuter of feature

produce a number of leature films this year.
Under the proposed deal, Virgin will have a significant minority stake in the merged company and will have a director on the MCEG board.

The deal will give MCEG

access to Virgin's distribution operations in the UK, Europe,

Australia and parts of Asia. Virgin also has a video distri-bution company in the US.

It is also recognition that the

Popular MEPs, 15 of whom have already defected to the EPP, boosting the ranks of the latter to 123.

The Tory MEPs have appointed Mr Christopher

Pront, their current leader, to negotiate with the Christian Democrats, who are expected to pronounce on the Tory request when the Parliament convenes in late July. Some Christian Democrats in the Benelux countries and Italy may regard the British Tories as too right-wing and too anti-union for their taste.

"more coherence on the cen-tre-right of the Parliament". and a reduction in the number Meanwhile, the British
Labour MEPs — who took the
12 previously Tory seats —
have made their increased
presence felt with the offer to
Mr Julian Priestley, currently

## a committee director on the Parliament staff, of the Job of secretary general of the 181-strong Socialist group. Virgin Vision close to \$85m | London's role as European air gateway 'threatened'

LONDON will be replaced by Paris, Amsterdam or Frankfurt as the main strine gateway to Europe, unless UK aviation is imported by infrastructrure to compete with continental airports, Lord King, the chairman of British Airways said yester-day, writes Lynton McLain.

The sad truth is that we are in danger of allowing ourselves to be overtaken," he told a meeting of the London Cham-ber of Commerce.

The French have a five year plan, to establish Paris as the

leading entry point for long haul air traffic in continental Europe. This involves a \$900m investment from 1969 to 1993 and includes a high-speed train station at Charles de Gaulle

airport.
"In the French pian, London is a satellite of Paris, not a hmh," said Lord King
West Germany is investing almost \$500 at Frankfurt airport, with Lufthansa's declared objective to develop Frankfurt as the number one hub of

Market Commence of the Commenc

#### threaten investor protection. FIMBRA, the Financial Intermediaries, Managers, and Brokers Regulatory Organisation – the largest City self-regulatory body – and the Consumers Association said the changes would loosen the rules for investment advises introduced a year sen under Management buy-outs 'to rise in number, size'

THE "management buy-out" business in the UK is likely to adopt increasing similarities to its counterpart in the US. Such deals are also likely to increase in both number and size.

These are among the conclusions drawn by Mr Steve Thompson at the University of Mancester and Mr Mike Wright and Mr Ken Robbie at the Univiersity of Nottingham, in an article on the UK experience of management buy-outs, pub-lished in the Continental Bank Journal of Applied Corporate

Regulating Organisations to modify or waive rules they regarded as unfairly stringent.
The Consumers Association said bodies which are dominated by industry representatives should not be allowed to make changes which could jeopardise investor protection. It warned of the danger that investor protection measures might be required to pass a cost—benefit test. They argue that the average size of buy-outs is rising sharply, and point out that there are a growing number of

"buy-ins" - deals where the leading managers are brought in from outside, a trend more prevalent in American lever aged buy-outs.

They also suggest that the contraction of the government bond market, on the back of persistent budget surpluses. could "stimulate a renaissance of the corporate debt market."

If so, they say, tradable debt could figure more prominently in financing future buy-outs. The writers argue that UK mbos have generally led to management structure reorgansiation, moves into new product areas and improved cash and credit control.

# What kind of company would want to set up in Belgium?

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For more information please contact the local Belgian Embassy, the General Consulate, and/or the Service for Foreign Investors at the Ministry of Economic Affairs, 23, de Meeûs Square, 1040 Brussels - Phone: 32.2.511.19.30 -Telex: 61932 ECOEXT -Fax: 32.2.514.03.89.

# A young man's flights of fancy win Fleet Street wings

Michael Donne, aerospace correspondent, retires after 44 years at the FT. He recalls a life-long passion

HAVE always thought the Surrey countryside beauti-ful, but never more so than when I first viewed it from a ight of several hundred feet early on an autumn morning in 1950, with the sunshine highlighting the slowly-clear-

Even so, within my flying suit I was still very cold in the open cocknit of the two-seat, side-by-side training sailplane. But that was of small consequence, for I was imbued with that strange excitement famil-iar to all novice aviators in the days of open-cockpit trainers, before the emergence of the closed-cabin luxury of today's

flying schools.

Life was all going my way at the time. I was young, just turned 22, not long out of the Army (where I had been in the Anti-Aircraft Command), with a promising job on the FT and now, at last, I was learning to fire I was promised to the same of the same fly. I was poor, for a lowly reporter-cum-tea boy's pay in those days was not generous – but I was not worried so long

but I was not worried so long as I could pay my way and continue to fly.

Subsequently, flying for most of the past 40 years has dominated my life and work, involving me in flying some 3m miles in several hundred different aircraft (as a passenger, I must addl), but well before that it had been my driving ambition. During my London childhood before the London childhood before the London childhood before the Second World War, it seemed an impossibly remote objective, for my family was very poor. I compensated by devouring the adventures of Riggles from the local public library with rabid enthusiasm, and dreamed of zooming around in Sopwith Camels and other

When I was old enough to ride a bicycle and be allowed out by myself, I gravitated at out by myself, I gravitated at weekends to Heston (close to where Heathrow was built years later), where I stared, unimpeded by authority, through gaps in the hedges at those God-like creatures landing and taking-off with incredible smoothness and regularity in their — to me — undeniably magnificent flying machines. nagnificent flying machines.

During the war, while too

young for active service, my school in Oxford started an Army Cadet Force unit, which Army Cadet Force unit, which
I joined but soon found boring.
I transferred to the Air Training Corps, not without some school hostility, and to my enduring delight found flying at last opening up before me.

Apart from becoming enmeshed in the heady intricacies of navigation, meteorology, Morse Code and other aeronautical theory (I became expert at aircraft recognition), I discovered that I could put on my blue uniform at weekends and cycle out to Kidlington aerodrome, then a war-time aerodrome, then a war-time basic training field for bomber basic training near for bomber crews, and sit in the queue in the pilots' readiness hut, waiting for a trainee crew to say "Come on lad, you can come with us!" It was called "Pre-Service Training" or "Flying Familiarisation", but in reality it amounted to free loyreality it amounted to free joy-

rides, and was wonderful!

I flew on inumerable weekends in all weathers with trainee pilots and their instruc-tors in Ansons (twin-engined training aircraft), over the Oxfordshire countryside. To this day I can describe Blenheim Palace from the air better than I ever could from the



Michael Donne (centre) with Lord King, Chairman of British Airways (left) and Prof Roland Smith of British Aerospace

My home was shattered by Flying Bombs in the late sum-mer of 1944, and I had to quit school and find my first paid job in a hurry in the Hammer-smith Public Library. The pay smith Public Library. The pay was appalling, however, and I found another job in Bishopsgate in the London with The Financial News (FN) early in 1945. By the time I was drafted for military service in 1946, the FN and FT had merged, and I was with the latter in Coleman Street, working in the Prices. Street, working in the Prices

I wanted to join the Royal Air Force, but was rejected because it was already shedding thousands of surplus per-sonnel. Instead, I found myself square-bashing with the Royal Fusiliers at Warley Barracks, Brentford, in which there was no future, and so I applied to no nature, and so I applied to
join the Gunners. I was posted
to a Royal Artillery Anti-Aircraft Training Regiment in
Oswestry, Shropshire, but after
some hair-raising adventures
with the guns in various parts of the country, legitimate and otherwise, found myself teach-ing reluctant girls the joys of

anti-aircraft gunnery.

e all thought it a useless pastime, and
found much more
interesting and exciting things

to do, both on and off the gun-site. But all good things come to an end, and the Regiment was disbanded upon my demo-bilisation in the spring of 1948! Initially, I spent some time trying to complete my educa-tion part-time at the University of London, but found the col-lege boat club more enticing. But the lure of aviation remained and eventually I enrolled for a gliding course at Lulsgate Bottom, now the site of Bristol Airport but then a disused bomber airfield.

It was one of the most rapturous holidays I have ever spent. The weather was gloriearly every day, keen to squeeze in as much training as we could. We were using "auto-tow", whereby one sat in a single-seat training glider, called a Tutor, at the end of a long cable attached to a battered motor car.

The car started down the crumbling runway, and as it gathered speed one was hauled into the air at the other end of the cable. At the appropriate moment, learned by trial and error, one pulled a knob in the open cockpit, and hopefully the cable was released from the glider. The plane was left up there, some hundred feet or so above the ground.

It was delirious stuir, and there was plenty of it. As we improved, the cables got longer, we were hauled higher, gaining more time in the air and learning the hard way the rudiments of flying.

Occasionally, the Chief Flying Instructor stopped swearing at we have me housen and

ing at us, became human, and took us up one at a time for a higher, longer flight over the Bristol Channel. The motorless Bristol Channes. The mountees flights made me conscious of the astonishing buffeting and noise while flying into wind; but the down-wind leg of a circuit was all peace and calm, and I could relax and enjoy what have because we are a circuit was all peace and calm, and I could relax and enjoy and I could relax and enjoy and the control of the control what I have always regarded as

pure flying.

I got my "A" licence at Bristol, but because I lived and worked in London, I joined the Surrey Gliding Chub in Redhill, a grass airfield then being restored to civilian use. We shared it with the University of shared it with the University of London Air Squadron, assorted struggling commercial aviation organisations, and the Experimental Group of the Ultra-Light Aircraft Association, a group of youngsters trying to fly on the cheap. On Saturdays in particular it was a very crowded airfield indeed.

I could not afford a car, and

I could not afford a car, and went from the FT office in Coleman Street to Redhill by train on Friday evenings, walk-ing the rest of the way to the aerodrome to save money, clutching the meagre rations my mother had given me - for even at that time Britain was still in the grip of austerity, and rationing was much in force. I came back to the office from the airfield on Monday

planes became ever more exhil-arating. The "auto-tows" of Bristol gave way at Redhill to an old barrage balloon winch and steel cable that gave the planes several hundred feet of height, enough for a carefully-controlled circuit of the aireld, or about four to five minntes' flying time.

One either did it the easy way, paying half-a-crown for a simple circuit of the sirrield, or the hard and expensive way. That involved finding a thermal (a rising current of warm air upon which the saliplane could be lifted bigher), so as to be able to fly away to land somewhere else — usually in some irate farmer's field. That also involved paying for the cost of being retrieved by truck and trailer in which the dis-mantled sallplane was shipped back to base. Surprisingly, we had few accidents, because everyone was very careful,

It was delirious stuff, and although I must confess that I sometimes nearly gave my weary instructor heart failure But gliding became amore impossible as the winter set in and then I turned to powered impossible as the winer set in, and then I turned to powered flying, with the Ultra Light Aircraft Association, was din a decaying, war time hangar just up the slope from the gliding club. We were a small tightiy-knit group with our own little aircraft, a delightful single-engined, open-cockpit de Havilland Moth Minur, G-AFOZ, which I believe the group had bought for £50 (in those days, that was quite a sum). We lovingly looked after 12 doing all the maintenance and repairs and making the parts for it when we could not afford to huy them. We evan re-roofed the hangar with bitumenised felt at our own expense.

That particular Moth Minor was the first povered seroplane I ever pilotel (with the instructor in the back seat), and so it stands but in my memory.

ith its opel cockpit it gave me ch aeronautical euphyla that I have never quite box shis to

nave never dutte both shall to recepture.

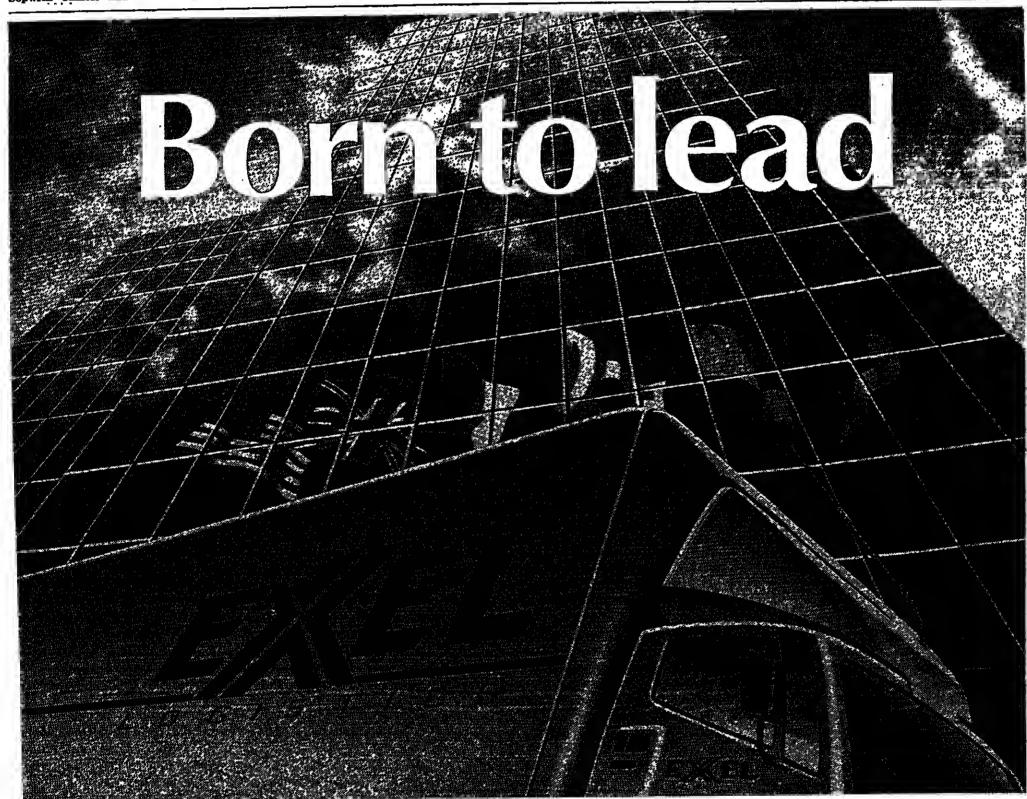
We paid for our letzel, disand maintenance let were taught for free by the marvellous Jean Bird, a hullent aviatrix with a fought rough tongue who had sered nonly in the Women's Air Tausport Auxiliary during the var, ferrying bombers and lighters from the manufacturen to the squadrons. She carned her living by odd flying jobs as and when they could be fould.

Our set up was rough and ready — we slept at the other end of the isangar from the aircraft and cooked our seagre meals over a battered stive. In fine weather it was delitable, but in the depths of whier we were often frozen. But we were fit and healthy, and it was

fit and healthy, and t was enormous fun We even had a black Labrador puppy alled Jet, who loved flying, hit his own log book and was beca-sionally taken up, chutchid by his owner. Sacopy had nobing

the Aerospace Correspondent of the FT. One day early in 1953, the aditor, Gordon (low Sir Gordon) Newton, came into the News Room, stopped by ny deak and said: "I'm told your still interested in this flying! I confessed that I was. "Wet," he said. "I want someone o look after aviation for the paper. You're it, on six months probation!" And I have been "it" ever since and enjoyed

That was how I came to be



# NFC announces the first new logistics company designed for the 1990s

If distribution is important to your business, the next decade will bring its own new opportunities - and problems. To help you exploit the one and solve the other, NFC has created a major new company: EXEL Logistics.

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information technology. And experience with every type of product from groceries to white goods, fast foods to frozen foods, drinks to daily papers and industrial plastics to motor parts.

chain, from warehousing and vehicle design to sophisticated

Handling logistics for many of the biggest names in British manufacturing and retailing, the new company starts with an annual turnover of some £500 million.

Already, anticipating 1992, EXEL Logistics are working on European opportunities with the vigour and enthusiasm of a brand-new set-up. And the confidence that comes from long

When you're looking for a more intelligent approach to distribution in Britain or the USA and now in Europe - anywhere - talk to EXEL Logistics, leading the way to tomorrow's opportunities. For further information call Martyn Pellew on

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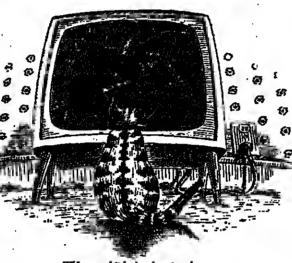
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## CLEARING THE AIR ABOUT HIGH-DEFINITION TELEVISION No. 2

Is America's
Television Industry In Trouble?
Are We On Foot Or On Horseback
In The Race For HDTV?

With all the talk about HDTV—home television with wide-screen film-like quality—many people would have you believe that the U.S. TV industry is gasping for breath. Even that America is "fighting for its high-tech life."



TV so good it looks almost real.

premature obtinary, "the rumous of my death have been greatly eneggerated."

Granted, America may not be the world's leading producer of TV sets, but we're in the game. What's more, consumer electronics are only part of the picture. In the professional segment of the TV industry—program production, broadcasting, and professional equipment manufacture—the U.S. is the major playes.



The LLS, fills more than half the world's need for professional TV equipme

Program production and post-production involve thousands of American companies that make TV shows and commercials. Assabecause of the immense popularity of American TV overseas, the U.S. is the work's leading experter of TV programs.

In the broadcasting area, the combined revenues of the more than 1400 American-owned television stations and nearly 10,000 cable systems are almost 940 hillion—more than six times what Americans spent buying television sets last year.

Professional equipment manufacturers, who make the equipment for producing and recording TV programs, represent a worldwide high-technology market of more than \$3 billion a year. The United States dominates in this area, supplying more than 50 percent of the world-wide market.

For metance, Ampèr Corporation alone had overseas sales last year of more than \$350 million to some 115 countries. That makes us one of America's biggest exporters.

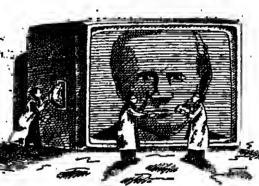
As impressive as these figures are, the professional TV equipment industry is significant for a much more important ressen. It is here that advanced technology is developed first—not in consumer electronies. And it is from here that HDTV technology will be spun off to other industries.

Before we can get HDTV in our living rooms, we first have to produce HDTV programs. And then we have to have some ineans of delivering HDTV to the viewer. The home receiver is only the final link in the chain.



Setting standards is a monumental task

It may come as a surprise that many professional TV equipment manufacturers already have the know-how to make HDTV products. And we will begin manufacturing and exporting just as soon as production and delivery standards are agreed upon. Delivery standards—technical parameters set by the government for the transmission of HDTV to the home—are being deliberated right now. Once they are agreed upon, the industry will then be able to define the production standards for making programs.



How good a picture do we wanti

Equipment manufacturers, broadcasters, and program producers will not be able to risk the huge investments required for getting into HDTV until they know what standards they have to meet. And consumers will not spend money on receivers that may become obsolete even before they plug them in.

Standards have been effectively set in Europe and Japan, where the broadcasting environment is quite different—and in some ways less complicated—than it is in the U.S. For that reason, it may appear that America is behind in the race for HDTV. Not necessarily so.

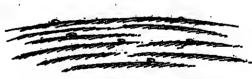
The point is that America does have a thriving TV industry. We just have to decide how much improvement in picture quality we want and how much we are willing to pay for it.

We need to set standards that will be good for the consumer and the entire U.S. television industry—not just part of it. But, as we go about making isn't over 'til it's out these decisions, we should not be distracted by any clamoring crowds on the sidelines. Or by imaginary

dogs nipping at our heels.

The standard-setting process appears cumbersome simply because there is so much at stake—both in technology and in international trade. Decisions need to be made rationally. Deliberately. And with full understanding of the consequences.





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# UK retailers put design on the rack

Alice Rawsthorn reports that the combination of increased costs and decreased consumer spending is worrying consultancies

stores, even banks and building societies, bave been designed and redesigned into temples of post-modernism. And the retail design business has boomed.

Yet in recent months the tide has turned against retail design. The uncertain outlook for consumer spending, com-bined with rising rents and rates, has imposed intense pressure on profits in an over-

crowded high street. Retailers have been forced to cut costs. Design has been one of the chief candidates for cutbacks. Since the start of the year the level of expenditure on retail design has dropped dramatically.

In the coming months it will become epparent whether the slowdown in the retail design sector is a short-term response to the present pressure on prof-its or if it is indicative of a rate activity among the major longer term realignment of multiple retailers. Burton

"IT IS A nightmare," says the

head of one of the largest US retail design consultancies. "Competition has never been tougher. Some companies are

cutting their fees to crazy lev-els. Others are throwing in free goodles to try to win new

For a year and a half the US

retail design business has been in the doldrums. The big store

groups cut their investment in

design after the Wall Street crash in autumn 1987. And the

business has never really

bitter bid battle between Cam-

peau, the Canadian group, and R.H. Macy, one of the bastions of US retailing, over Federated

The bid created chaos in the department store sector. Macy and Federated both froze their

expenditure programmes during the bid; and their competi-

tors followed suit.

The crash was followed by a

he 1980s has been the investment priorities by the decade when design major multiple retailers.

A glance at the US, where A glance at the US, where expenditure on retail design has been depressed for 18 months or so, is scarcely inspiring (see below). The situation in the UK is not nearly as sed, nor as desperate, as in the US. But there is a dramatic difference between the sluggish sector of today and the booming business of the mid-1980s.

The roots of the retail design boom were partly cultural and partly economic. The conspicu-ons enccess of "design con-Group in the late 1970s and Next in the early 1980s together with the recognition that consumers were becoming increasingly discerning about design encouraged other com-panies to reassess the impor-tance of design as a management discipline.

These cultural changes co-

Dearth of new business in US

tancies were confronted by

postponed projects and a dearth of new business. "We

are in the middle of a battle-field," says Simon Williams, a

director of the US interests of Michael Peters, the UK design

The most vulnerable compa-nies have heeu the middle-

sized firms which are often over-reliant on one client.

Some companies have col-

lapsed. Others have had to cut costs and shed staff in tha

struggle to stay in business.

Even the largest consultan-cies have suffered. Walker Group, a New York subsidiary

of the WPP marketing empire, has turned to overseas projects

to compensate for the shortfall

in the US. Walker gleaned

about 40 per cent of its income

overseas last year, thereby

countering the slowdown in

Hambrecht Terrell, which

acquired Mothercare, and then BhS, to turn itself into Storehouse. Rainers staged a series of jewellery acquisitions. Next took over Combined English

The retail design industry dominated by Fitch, Conran Design Group and McColl — enjoyed a bonanza of new business. Other design consultancies, like Michael Peters, strengthened their presence in retailing, having made their names in different disciplines. A new generation of young designers, like David Davies

and Rasshied Din, emerged.
"At no other time in history could the description 'a nation of shopkeepers' be better applied to Britain than today, with the shops becoming more and more like museums and the museums like shops," writes Frederique Huygen, the design historian. "The cause? In a word, 'design'."

But the mood of the high street has changed. The pressure on retail profits has forced

harder hit. In its case the

problems of a lackinstre mar-ket were compounded by the illness of one of its founders.

Hambrecht has suffered a

slump in profits. Peters has since brought Charlie Sparks,

one of the leading retail designers in Chicago, to New York to reorganise the busi-

There are now signs of a

slight revival in retail expen-

diture. Yet the structural changes within the retail sec-

tor - the concentration of

ownership and emphasis on financial discipline - suggest

that there may be a longer-term reduction in expenditure on design. There is already a

pronounced trend for the

major multiples to increase their use of in-bouse design

"It has been a tough year,"

says Ken Walker, president of Walker Group. The projects are starting to roll again but

very, very slowly."



Department X, the Oxford Street store opened by the Next tashion chain at a time when a brave approach was being taken to design. Retailers are now reluctant to take risks

retailers to cast a more critical tant to take risks." eye over budgets. Michael Soden, managing director of CDG, eays that retail design expenditure declined after Christmas and has been sluggish ever since.

Rune Gustatson, group mar-keting director of Fitch, has identified a trend for retailers to reallocate resources. He says they are now more interested "refining existing concepts" than developing new ideas and that there is greater emphasis on operational efficiency. The competitive financial cli-

mate has contributed to a change in attitude among the major retailers. In the mid-1980s "design consciousness" was seen as a prerequisite for successful retailing. But the struggles of Storehouse and George Davies' departure from Next are now bandied about rightly or wrongly - as evi-dence of the demise of designer retailing. "Cost-conscious" companies such as Kingfisher which tend to prioritise financial disciplines over design, are now in the ascendant.

"When consumer spenning was healthy, retailing was dominated by people like its biggest client. McColl has George Davies who were prepared to be brave about giant marketing group.

Some consultancies have about taken steps to mitigate When consumer spending whose company, Din Associ-ates, designed the Department X fashion stores for Next. "The economic climate is now much of its business for several

The longer term concern for the retail design business — which is already riddled with rumours about cost-cutting and job losses — is that this attitudinal change may deter the major multiples from resuming expenditure on design, even if consumer

spending recovers.

Meanwhile, the critical question for design consultancies is whether they would be able to

withstand a prolonged slow-down in retail spending.
Even in the days when the retail design business was booming, the finances of the consultancies were fragile. The apparently inexorable growth of Fitch, which has risen rapidly since going public in 1982, has dominated popular perceptions of retail designers.

Yet Fitch is something of an

exception. Its competitors tend to be cursed by the poor profit-ability and erratic revenue that characterises the rest of the design industry. Even the larger players can be vulnera-hle – as McColl demonstrated

already taken steps to mitigate the effects of the slump, Fitch has been broadening the bas tougher and retailers are reluc- years, notably with the acquisi-

tion of RichardsonSmith, one of the leading product design companies in the US, last year. Retail design should account

for about a third of its turn-

over this year.. Fitch has also expanded its activities in other countries; as have its competitors. CDG plans to build up the business from its offices in Paris and Hong Kong. One of the legacies of the retail design boom is that the UK consultancies have emerged with a reputation for innovation. Even young com-panies like Din Associates and David Davies are now working

on oversess projects.
But international projects are prone to problems. The logistics of co-ordinating ambi-tious design schemes from another country can be intimi-dating Similarly European and North American retailers are not accustomed to paying such high fees as their counterparts in the UK.

Moreover, it is only the established and more innova-tive consultancies that are offered overseas work. The other retail design companies are left to struggle in an increasingly competitive marketplace and to wonder whether the retail design boom has really fizzled out.

\*British Design: Image and Identity, by Frederique Hungen. Thames & Hudson, 30-34 Bloomsbury Street, London WC1B 3QP, £1435.

## A mistake to ignore the female traveller

R ichard Branson's Virgin Atlantic airline takes an unusual approach to business travel in its latest television commercial: it fea-tures a stylish female business ensentive enjoying the delights of the airline's Upper Class ser-vice and even taking the opportunity to ogle the male stew-

Radical feminism by the fledgling airline? No, says Virgin. "We wanted to point out that we officed a different and better in our opinion — level of business class service compared with the other air-lines, not that we were target-ting women business travellers exclusively. But we do think that they are an invariant and that they are an important and

growing market for us."
Virgin realises that however fast-growing the number of travelling women executives -and estimates suggest that at east one in every five business travellers are women - no airline can afford to focus its marketing efforts simply on wooing the female traveller.

But, according to a new survey of frequent business women travellers, do the airlines really bothar to take them seriously?
The survey of 146 members

of the Business Woman's Travel Club, a "networking" group for women executives, found that about half felt that airline cabin crew gave them less attention. A third felt that crews assumed that because they were women they would not mind sitting next to chil-Trisha Cochrane, the club's

Trisha Cochrane, the club's secretary, also points out that while airline cabin crew are happy to use "sir", they either refuse to address women as "madam" or else make it sound patronising. "Wa are not asking for special treatment — simply recognition," she says. Yet it is in hotels offering a business-class agratics where business-class service where women executives are still most concerned about the way they are freated, according to the survey. The major interna-tional hotel chains have, as a

in women travellers in two distinct ways. One approach, typified by Crest Hotels (part of the Beas Group), has been to single out women travellers with the provision of special facilities in Lady Crest rooms.

These have more skirt bang-

result, reacted to the increa

ers, extra tolletries, a softer decor, and rooms located close to lifts so that guests can avoid potentially unsafe corridors. The international Marriott chain, on the other hand, her chosen not to segregate guests according to sex.

We concentrate on providing a higher level of security and standard of rooms and ser-vices for all our guests, irrespective of whether they are

men or women," says a Marriott spokesman. But the travel club's survey also suggests that some bus-nesswomen are still very concerned about hotel security. Over half the survey would object to a bedroom on the ground floor, for example, and all respondents agreed that chains and peep-holes on hotal room doors should be standard. "A somewhat surprising

result, however, was that one in three women would prefer a women-only floor, which is contrary to many reports stat-ing that women do not want to be segregated," says Cochran,
"The point is surely that
women would not feel the need

to be segregated if they know they could get appropriate service, security and facilities in every hotel room that they stayed in," she adds.

The survey also clearly showed that most woman pre-ferred to eat in their room if alone, given their treatment in hotel bers and restaurants. Two thirds of the respondents found that in restaurants it was automatically assumed that a man would choose the wine and be presented with the bill even if the woman had

made the reservation.

"All that is needed is a change of stiffed and a little more thought and consideration shown by management, stall and other guests so that women can travel freely," says

Cochran.
The marketing opportunities to the hotel, airline, car rental company, and restaurant chain that best meets the needs of the travelling woman execu-tive are obvious. But perhaps the real answer is shaply to improve the lot of all travelling improve the lot of all traveling executives, not just the fest-growing breed of corporate women travellers.

Business Woman's Travel Club, 10 Strutton Ground, London, SWI, Tel 01-222 4539.

David Churchill

#### **TECHNOLOGY**

# Choosing the right genes for the laundry

ors followed suit. was recently acquired by the The US retail design consul-Michael Peters Group, was

Clive Cookson explains how genetic engineering can improve on natural enzymes in the wash

enetic engineering is transforming the production of industrial enzymes in ways that could lead to laundry detergents which remove different fungus, and the country of the enzyma of th

dry detergents which remove all common stains by mild washing. In the food industry, cheap raw materials could be converted into delicacies.

"We expect virtually all of our enzymes to be produced by genetic engineering within five years," says Steen Riisgaard, head of the bio-industrial group at Novo-Nordisk, the Danish enzyme manufacturer. Novo has 40 to 50 per cent of the \$500m-a-year world market in industrial enzymes, according to L. Hepner and Associates, the London biotechnology consultants.

Novo launched Lipolase, the first mass-market enzyme made by genetic engineering, in Japan last year. Lipolase is a lipace or fat-splitting enzyme, designed to help household detergente remove greasy stains such as lipstick and butter at low temperatures. Since ter at low temperatures. Since Lion, the Japanese detergent manufacturer, incorporated Lipolase in its Hi Top brand, this has won almost 20 per cent of the domestic market.

Detergents have formed the largest sector of the enzyme market since the 1960s. Before Lipolase, they contained three types of enzyme: proteases, which remove protein-contain-ing stains such as egg and blood; amylases, which attack residues of starchy foods such as mashed potato and gravy; and cellulases, which improve the appearance of cotton fab-rics by eliminating the tiny microfibrils that become

detached from the main fibres.

These had been made by selecting strains of natural micro-organisms that produce large quantities of an appropriate enzyme, and growing them in huge industrial fermentation tanks. Lipolase is differ-ent. Novo scientists found a lipase with the characteristics required to work well in a washing machine - resistance to alkaline conditions, high temperatures and other deter-gent ingredients – in a fungus that is not suitable for largeThey cloned the gene coding for the enzyma and used "recombinant DNA" technology to splice the gene into a different fungus, Aspergillus oryzae, which grows well in industrial fermenters. Within two weeks of starting the fermentation, Novo'e Japanese factory in Hokkaido was turn-

factory in Hokkaido was turning out large quantities of Lipolase.

There are two reasons why Novo launched Lipolase in Japan. One is that, as Riisgard puts it, "the Japanese market for consumer products such as detergents is much the fastest moving and most immovative in the world." Lion was desperate for a new ploy to desperate for a new ploy to attack Kao, its arch rival, which had taken almost a third

which had taken almost a third of the Japanese detergent market with a new concentrated liquid brand.

Regulatory differencee between Denmark and Japan provide the second reason. "The Japanese Government gave us approval in four weeks to produce Lipolase," says Knnd Aunstrup, Novo vice president for industrial biotechnology. "Exactly the same technology. "Exactly the same process took eight months in Denmark."

Aunstrup says that the Danish law on gene technology, passed in 1988, is one of the strictest in the world. He and is no conceivable danger to man or the environment in the sort of industrial biotechnology Novo carries out. The genetically engineered micro-organ-isms used to make enzymes are all weaker than natural strains and they soon perish outside the favourable conditions of an industrial fermenter

None of the large European or American detergent manufacturers has yet incorporated Lipolase in any product, although they are evaluating it, Riisgaard says. Lipolase is on the European market in cer-tain small brands, but I cannot

say what they are. Novo is also using its favour-ite fungus, Aspergillus oryzae, to make a second genetically engineered lipase, called Lipozyme. This can alter the nutri-

tional quality of some foods, in particular by converting (unhealthy) saturated fatty acids to (healthy) unsaturated ones. Although this sort of enzyme could eventually find a large market - for example in margarines - it is still too expensive for widespread use. In the near future, it will only be sold on a small scale to convert speciality fats, such as ingredients for cosmetics.

and Lipozyme, in which a gene has been transferred from one has been transferred from one organism to another, represent only the first stage of genetic engineering. The second stage — protein engineering — has more far-reaching implications. Genetic manipulation has made it possible to produce artificial proteins, including enzymes. As Rilagaard says, "nature didn't develop any of its enzymes to work well in a washing powder. We should be able to improve the characteristics of enzymes to suit istics of enzymes to suit man-made conditions."

For example, an enzyme could be made more stable at high temperatures by building in "disulphide bridges", which tie together distant regions of the amino acid chain. Rlisgaard expects Novo's first protein-engineered enzymes designed by computer modelling - to reach the market in

two or three years' time. International Bio-Synthetics, tha world's second largest industrial enzyme manufacturer, could have protein engi-neered enzymes on the market "within one or two years," according to Hans Van Sulidam, corporate strategy director at the Dutch company (which is jointly owned by Shell and Gist-Brocades). "But the timing is not entirely up to us, because we have to work very closely with the regula-tory authorities and with our customers. In the detergents area we have to follow the policies of the 'big somers'."
However Genencor, the Cali-

fornian biotechnology company, is beginning to sell enzymes improved by protein engineering to US detergent manufacturers. Genencor has concentrated on a protease



Fermentation tanks producing industrial enzymes at Novo-Nordisk's Kalundborg plant

secreted by Bacillus bacteria, called Subtilisan.

Genencor uses patented techniques such as "cassette mutagenesis" to make a series of small mutations in the Subtilisin gene and then rapidly analyse the corresponding changes in the enzymes. They are trying both to protect the enzyme against harsh conditions in the washing machine and to make it attack stains more aggressit attack stains more aggres-

"We've looked at about 600 different Subtilisins," says Jonathan MacQuitty, of Genencor. Some of the improved enzymes have been sold in the UK, where the Government has announced a £9.6m collaborative research programme on protein engineering, involving industry and the research councils under the Link

However Paul Engel, who manages the Science and Engi-neering Research Council's protein engineering "club". warns against expecting too

"I think the scientific com-munity almost had to oversell protein engineering — at least in terms of the timescale required – in order to arouse interest and bring in funding," says Engel, a Sheffield Univer-

His colleague Mike Fowler,

professor of blotechnology at Sheffield, predicts that protein engineered enzymes will not be in widespread use for at least five years. He suspects that the new enzymes will be less stable than enthusiasts realise.

"There are a hell of a lot of

interesting enzymes left in the natural world - and particu-larly in the plant world without having to play at pro-tein engineering," Fowler says. He is working with Plant Science Limited, a company set up by the university, to iden-tify plant enzymes for incorpo-ration in detergents. "We're developing entirely new bright-ening agents which will act on the fabric itself."

The long-term commercial prospects for genetically engineered enzymes in detergents will depend not only on techni-cal developments but also on consumer response. Manufacturers such as Novo are beginning to promote enzyme engineering as "green technology", which will allow cleaning to take place "in a much milder, more efficient and economical way" than is possible today.

However, the appeal to consumers is complicated by the emergence of a new wave of green" detergents, such as the Belgian Ecover, which have made a virtue out of being

#### BP attempts to prophesy the value of research By David Fishlock

nate the performance of its research and development operation has attracted atten-tion from the heads of R&D at tion from the heads of R&D at other European companies with big research budgets. A round-table meeting, convened by the European Industrial Research Management Association (EIRMA) in Brussels, applauded BP's application of historical evaluation to R&D performance and the way it brought the value of R&D to the attention of senior managethe attention of senior manage-ment. "What HP has done is to put R&D on the same basis as capital investment," one tech-nical director concluded.

The group was less happy with BP's more recent attempts to rank future projects by the same method. One critic commented: "You don't use a ranking system to choose

a wife."

Cost-benefit analysis was the Cost-benefit analysis was the response of Professor John Cadogan, HP's research director, to his chairman's challenge: what am I getting for the £150m a year I spend on central R&D? The technique was presented to the ERMA round table from the perspective of BP Chemicals, a customer for companie R&D.

tomer for corporate R&D.
Geoffrey Alderson, general
manager of BP Chemicals'
R&D department, said that it
spent about £100m a year in its
six laboratories in Baldain six laboratories in Britain, France and Switzerland, and with Cadogan's corporate R&D. This figure was four or five times higher than it was in 1980, when the company woke up to the importance of having its own technology instead of buying it in £100m was a sum big enough to get senior man-agement's attention, he said. The spending of it had to be

So his company tried to cal-culate a benefit-to-cost ratio for its past expenditure on R&D for each year. Benefits were taken to be the "gross contri-botion generated" - an accounting convention well understood in his industry, he said. But to avoid charges of favouring R&D, all estimates of benefits were made conserva-tively. For example, the scien-tists were allowed only up to 60 per cent of any estimated bene-

he way that British fit, and for no longer than five also for prospective R&D costs.

Petroleum uses costyears, for a given innovation. If The analysis embraced all the technology had been six of BP Chemicals' laboratolicensed to others, they reaped only half the benefit to BP. Technical services were reckoned to amount to 5 per cent of the R&D effort. But a benefit of only 2.5 per cent was allowed for this. Nothing was allowed for an innovation

which the company had falled to exploit.

Alderson stressed that the ratio of benefit to R&D cost had no absolute significance.
But he believed it could show whether a company was renewing its technology steadily. "If you are roughly in the same band for any year, you know you are providing renewal."

The ratio could be used to company the performance of

compare the performance of different laboratories, or labo-

I think it has focused our minds on the bottom 10 per cent

ratories in different countries. he said. It could also be used to evaluate the worth of different

Cinds of R&D.

One technical director concluded that the BP approach provided a powerful wespon. The ratio demonstrated clearly that R&D was one of the best investments BP was making.

Another said that the important thing was to have experient.

tant thing was to have every-one talking about the same thing, and not to worry too much about numerical precision. Adderson agreed that it was the thinking behind the cost-benefit ratio that was all important. It obliged both researchers and business managers to think about the R&D. But that had led him to experiment with the more ambitious idea of "prospective analysis". Alderson said he believed that "are we doing the right research?" was probably a mora important question than "are we doing research

the right way?" Six months ago he proposed that BP Chemicals should try to rank the new projects it

The analysis embraced all six of BP Chemicals' laboratosix of BP Chemicals' laboratories, averaging 10 projects apiece, with about 10 main objectives for each project: a total of about 600 opportunities. For each one they tried to estimate the total gross contribution that success might bring to the company over 10 years, the benefit-to-cost ratio and the newbork period

and the pay-back period. Critical assumptions behind this analysis included how the probability of success was determined, Alderson said. He had discussed the risk analysis with consultants, including Arthur D. Little and SRI, and planned to ask such an organi-

planned to ask such an organisation to train his project managers in the technique.

His first project ranking, with a risk-reward ratio for each one, had just been submitted to a EP business management review. But already, he claimed, researchers had reaped the benefit of being forced to talk to the business managers in order to put figures to their would be projects. "I think it has focused their minds and our minds on the bottom 10 per cent."

This analysis still atops

This analysis still atons short of evaluating the short of evaluating the long-range or exploratory kind of research, where benefits are less easily quantified. Alderson, however, admitted he was keen to try it, by evaluating such uncertainties as the strength of patent position for some gleam in the eye.

The round table was not persuaded that accountancy might do better than the intuitive judgment of an experienced

do better than the intuitive judgment of an experienced research director. One accused Alderson of seeking a formula that would save research directors from making decisions—"and it's horrible to have to make a decision." Nevertheless, he had no faith in a formula for avoiding decisions.

But another recognized has But another recounted how the Japanese resolved the issue by talking not about uncertainbut about certainties in R&D. Hifachi, for instance, had set out to invent the video camera to a formula that, at the outset, defined all the problems and what we cannot be and what we cannot be a formula that at the outset, defined all the problems and what we cannot be a supplied to the problems and what we cannot be a supplied to the problems and what we cannot be a supplied to the problems and what we cannot be a supplied to the problems and what we cannot be a supplied to the problems and what we cannot be a supplied to the problems are supplied to the problems and what we cannot be a supplied to the problems and what we cannot be a supplied to the problems and what we cannot be a supplied to the problems and what we cannot be a supplied to the problems and the problems are the problems and the problems and the problems are the problems and the problems are the problems and the problems and the problems are the problems and the problems are the problems and the problems are the problems and the problems and the problems are the problems are the problems are the problems and the problems are the problems ar lems and what resources would be needed to resolve the uncer-tainties within three years. might embark upon, not just They were huge - but the for-for prospective banefits but mula worked.

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# Overdose of the Indiana Joneses

THE LAST CRUSADE Steven Spielberg

DIRTY ROTTEN SCOUNDRELS

> THE RAGGEDY RAWNEY

Frank Oz

Bob Hoskins A HUNGARIAN FAIRY TALE

Gynla Gazdag MILES FROM HOME Gary Sinise

The summer is here. Huga, glistening levi-athans wearing the label "Made in Hollywood" are moving across the Atlantic even as we speak. Small boats are crushed in their wake; mariners attempt evasive action; fishes panic and appeal to the UN. You may recognise these monsters by the million-dollar banknotes they geyser whale-like as they travel. Batman, Ghostbusters II, Star Trek V —

and leading the pack, *Indiana*Jones And The Last Crusade.
They cost a fortune; in America they are making a fortune; and if you do not like them, there must be something

wrong with you.

I am sorry, doctor, there must be something wrong with me. I, personally cannot take much more of them. The cinema of infantile regression is fine in small doses, but one can no longer obtain it in small doses. The Indiana Jones saga has now clocked un seven has now clocked up seven

hours - half the length of Wagner's *Ring* - and the third film is all but indistinguishable from the first two. Harrison Ford, designer stubbled 1930s archaeologist, once more sal-lies forth in search of a priceless mythological relic. (This time the Holy Grall.) On the way he meets a large number of uncongenial animals (snakes, rats). He romances a tough but beautiful woman (Alison Doody as a Nazi spy). And he wields his gun, buil-whip and hardboiled sense of

If you tried to carbon-date this script, it would fall spart in your hands. Its belligarem decreptude is wondrous to belield. The director Steven the Last Crusade"

Harrison Ford and Sean Connery in "Indiana Jones and the Last Crusade"

Trivot Sean Connery. Mr C other best scene in this tale of behold. The director Steven Spielberg and screenwriter Jef-frey Boam (working frem a story by series originator George Lucas) believe that the way to an audience's heart is through its solar-plexus. When not being shot, socked, blown up or otherwise harassed, the characters leap chasms, smash through windows or deliver camp dialogue ("Nazisi I hate 'emi") with all the subtlety of a ton of coals. ton of coals.

The only exchange

inwardly cheered was an early one between villain and hero. Hero (holding precious object): "This belongs in a museum." Villain: "So do you." Villain: "So do you."

The pace lets up for little except some mystical uplift late on. When we at last discover the Grail, we find it comes with a lot of pseudo-elevating dialogue and hotel-elevator Wagnerian music: all soaring, anguished strings by composer John Williams. (The single, if ever released, will no doubt be called "Paraifal, Rosemary and Thyme.")

Oh, but goodness, I almost

humour in the service of truth, archaeology and the American

other best scene in this tale of two confidence tricksters in the South of France: a near-ap-oplectic verbal fit while trying to remember a wealthy pai's name in prison. Said pal is played by Michael Caine, debo-nairly negotiating accents (upper-class Brit, cod German) as he shows the apprentice Martin how to relieve rich ladies of their fortunes. Stars apart, this re-make of forgot Sean Connery. Mr C plays Indiana's father, a crusty old cove and fellow Professor of Antiquities. He is rescued by his son from an Austro-Ger-

man castle where he is for some reason held prisoner and he accompanies "Junior" on his mission. Connery's twin-kle-eyed, crinkly-smiled authority lends the film what little nobility it has. For his reward, he is shot late on. Will it prove fatal? Or will the Graff's healing power save him for a sequel? Poor man, let us

The moment I most enjoyed in the comedy Durty Rotten Scoun-drels was Steve Martin's mem-ory of his grandma's advice to him when young. "It is better to be truthful and good" he quotes her ringingly as saying "than to not." Only Dan Quayle, shoring up his Vice-Presidential debate last year with Midwest family wisdoms, Quayle, shoring up his Vice-presidential debate last year with Midwest family wisdoms, ever surpassed this for banality with brass fittings.

Martin romps home with the

the film's plot (co-written and directed by Mr Hoskins.) But like us too, he probably knows enough about "orses" to recognize a candidate for the knacker's yard. The Raggedy Raumey is a shambleshanks fable, filmed in

Yugoslavia, about gypsies dur-ing World War 1. Scrawnily ing world war L. Scrawing photographed by Frank Tidy — the sams who shot Ridley Scott's dazzling The Duellists — it clodhops through a tale of magic, pacifism, pregnancy and transvestism. Can the persecuted, magic-powered young army-deserter hero (Fletcher) escape the pincer-movement army-deserter hero (Fletcher) escape the pincer-movement machiamo of Mr Hoakina (wanting revenge for his pregnant-by-Dexter daughter) and the army (wanting its deserter back and if possible shot)?

Dressing up as a girl, young Dexter probably represents peace and love in a too hrufal world. The unnamed, wartorn country probably represents the said world. And as a writing-directing debut, this fey, portentous movie undoubtedly represents Bob Hoakins's

portentous movie undoubtedly represents Bob Hoakins's urgent summons to return to full-time acting.

Gyula Gazdag's A Hungarian Fairy Tale is the week's second and better didactic fantasy set in Rastern Europe. Gazdag takes a stick to his country's bureaucracy. According to Mr. G. Hungary is the only nation in the world which legitimises one-parent children by requiring a fictitious father to be

ing a fictitious father to be recorded on the birth certifi-

So off we go. Our boy hero (Arpad Vermes) who has lost his mother, beaned by a falling hrick one day in a sunny street, sets out to find his nonexistent father at the non-exis-tent address. Much *Magic Plute* music accompanies him. For



Scene from Gazdag's "A Hungarian Fairy Tale"

he is, is he not, a questing Tamino torn by conflicting moral hulletins on the grown-up world? That world is also filled with vaguely Dickensian supporting characters: the Newman Noggs-like clerk who registered his birth, the divorced couple who sit at opposite ends of a cafe while their tug-of-war child serves out the last minutes of her out the last minutes of her weekend with Dad. (Dad, a tac-tician to the last, uses these minutes quietly to siag off

Mum.)
Much humour here, but also some ponderousness. Shot in rough-hewn black-and-white, the film takes a long time to knit together the converging destinies of the boy, his ideal father (the clerk) and ideal mother (the divorced cafe sitter). And their final union is atom a giant metal bird which. atop a giant metal bird which, Kruschev as "farm of the courtesy of some creaking year") to prevent appropria-

trick photography, takes off from its pedestal and flies over the city. This scene'e merit marks are the same as those for the rest of the film: A for idea and effort, C plus for exe-cution.

Miles From Home is a Bonnie
And Civile for the era of farm
foreclosures. The provenance
is intriguing: script by Chris
Gerolmo (of Mississippi Burning), first-time direction by
Steppenwolf Theatre's Gary
Sinise, now treading the London boards in the Chicago company's Grupes Of Wruth.
But intriguingness is all.
Déjà vu soon threatens like
summer rain, as brothers Richard Gere and Kevin Anderson
bound across Iowa and neighbour states after torching their bour states after torching their ailing farm (once visited by Kruschev as "farm of the

tion. On the way they vandalise banks, fanfare their message of compassionate economics and become folk

economics and become folk and media heroes.

"You boys've done what most people would like to do!" squawks an old biddy in a trailer camp. "Everybody'e poor, at least your famous" coos an exotic dancer in a barcabaret. Yes, yes. But we have been through all this before, in countless mythologisation-of-the-outlaw movies; and the Reagan-Bush-era "unfair to farmers" dimension adds little. Nor does the reproduction Aaron Copeland music, shoved in for rural inspirationalism by composer Robert Folk. Ulti-mately, *Miles From Home* is no more than a crime-and-chase thriller with ideas above its

**Nigel Andrews** 

# The Voysey Inheritance

COTTESLOE THEATRE

It is oddly interesting that the plays of Harley Granville Barker, spiritual architect of the National Theatre and prac-tical inspiration of the Court Theatre, should strike us now with more ferocious application than do those of his friend and colleague Shaw. Almost without exception, they are less witty but more biting. When the National did The Madros House in the Peter Hall era, one suddenly saw the direct precedent for the Here and Brenton collaborations.
The Voysey inheritance is-

extraordinarily apposite. Here is a classic Edwardian family disrupted by the news that its material wealth is the fruit of ingrained, traditional habits of fraud and corruption. Old Voy-sey is a solicitor whose inheri-tance is based on his own father's corrupt disposition of clients' trusts and bonds. A

clients' trusts and bonds. A
failed investment in the Northern Electric has pushed him
further into murky waters.

The question is, will his own
son, the play's central character, Edward, put wrongs to
right, re-pay debts, endure public disgrace, even go to prison.
For three acts we are enlisted
as witnesses to a domestic as witnesses to a domestic drama of high tension. Prig-gish Edward succumbs, how-

cousin.
Richard Eyre's production, and Jeremy Northam's perfor-mance as Edward, retain a mance as Edward, retain a faithful cloudiness over the last two acts, leaving us to deduce that the dynasty will perpetuate itself under the governance of accepted loose standards of commercial life.

(CDEs)

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leaves a lot of colouring to be

One of Voysey's four sons, a kept poet in a velvet jacket, expresses dismay after walking from Hampstead to the City: "You'd think an Empire could keep its streets clean." There are also strong hints of political cracks and hardening ideologies after the Boer War.

Eyre's production allows for some florid indulgences, notably Robert Swann's absurdly militaristic brother and Barbara Leigh-Hunt's magisterially deaf materfamilias incongruously gined to the pages of Notes and Queries. But the overall style in the Cottesloe is stiff, and formal, rather as if

Jeremy Northam and David Burke Insider trading, defrauded this were a BBC TV Play of the clients, new interpretations of honesty, family feuds. Not exactly old hat, is it, though Barker's low-key, not to say unmodulated style of dislogue, arrangement, decorated with

The decision to split, the audience into a traverse arrangement, decorated with heavily realistic standing pieces designed by William Dudley, also has an embalming effect. Inwardly centred round a great diagonal table on the country estate, one's participation in conversation and facial reaction in conversation and facial reaction is random. The "in-the round" approach is surely wrong for this sort of formal drama and formal Anglo-Saxon playing.

The best encounters are those conducted in profile over the heavy desk in Lincoln's hm. Here David Burke's barking Voysey defends the scandals his son has tearfully uncovered ("We do what we can in this world") while denouncing Edward's priggish,

untried moral valour. How that stance comes under threat is only flatly intimated by Jeremy Northam. The subsequent interview with the family friend and cheated confidant, George Booth (Graham Crow-den), is another highlight. Curiously, the scene Max Beerbohm halled as the high point of English tronic comedy, the thunderous revelations to

Stars spart, this re-make of the 1962 Brando-Niven flop Bedtime Stories is a fitful thing. (What, they are re-making fail-ures now?) The comic twists.

could all be written on the back of a postcard, while the front of a postcard would serve for the rest of the movie: gor-geous views of the Côte d'Azur

as the camera gazes to seaward to refresh its eyes and/or politely conceal its yawns.

the thunderous revelations to the family after Voysey's funeral, seems anything but. The evening is carried, just about, on distorted notions of principled heroism, financial skulduggery, false heroism and the carefully inflected contri-butions of Stella Gonet as the salvationist. salvationist, conspiratorial fiancee, and of Michael Bryant as a family retainer suddenly cut off at the knees by a dis-continuation of his Yuletide

hush money.

Michael Coveney

## Maximova at the Dominion

he star ballerina, the true sacred monster able to light up the theatrical night for an adoring public, is now an endangered species. In Russia they can still produce such marvels; in the West it is the generation of Newdon Scotteren Stillers who recent the Haydee, Seymour, Sibley who seem the last members of a fabled breed. They need, of course, vehicles in which to drive to glory, and it is in the dramatic works of Cranko and MacMillan that we have best seen the irresistible and tremendous prog-ress of the diva. So English National Ballet has pulled off something of a coup this week by presenting both Eksterina Maximova and Lynn Seymour in Cranko's Onegin, offseing us a chance to compare the

romantic world of the girl Tatiana's feelromantic world or the gri Tatisma's feerings, seems everywhere to colour the dance. It is also a portrait of unaffected simplicity and directness of means. Maximova, in superlative form, draws the choreography's outlines with a fine and unerring touch: those impeccable legs and feet have never looked lovelier, and the way in which movement overseout from the have never looked lovelier, and the way in which movement opens out from the trunk gives a beautiful freedom to every action. To see her make the least gesture or dart into the dance with vivid speed is to know greatness.

Nothing is over-stated or forced in this characterisation. Tatiana gives herself wholly and without question at the end of the first scene as she gazes after Onegin; the duel scene brings the sudden access of maturity as Onegin leaves, Maximova

gin, offering us a chance to compare the styles of two supreme theatrical artists.

"Electrica Meximova, on Monday night, gave a performance notable both for its perceptions about Tatisma's character and for its controlled intensity. As with Makarova's reading, we know that this an interpretation rooted firmly in Pushkin's verse; the words ring through Maximova's dancing, and the inner life of the role, the

with purity and grace. It was a tremendous portrayal, She had very fine support from Martin James's tormented Onegin, from the unfailing lyric charm of Trinidad Sevillano's Olga, and from Patrick Armand's impetuously proud Lensky. A memorable evening.

On Tuesday night Lynn Seymour provided a no less memorable and beautiful reading of Cranko's heroine. As with her astounding debut in the role last season, the nuances of her playing, the utter sensitiv-ity of her portrayal, its wave-like pulse of movement and uncring rightness of feeling, take us to the very heart of the girl Tatiana, and then lead as magnificently to curtain fall. It is great theatrical art, and flawless. And from Alexander Sombart, flawless partnering, both in technique and in drama.

Clement Crisp

# Draghi and Purcell at St James's

enlightened sponsorship for an enlightened and valuable enterprise. Tuesday night's concert, conducted by Ivor Bolton, St James's music director, combined G.B.Draghi and Purcell, and suited the circumstances of place and occasion very well.

The former was an Italian

very well.

The former was an Italian composer and instrumentalist (c.1840-1708) active in England for most of his life, prolific, and, on the evidence of the

The annual festival at the beantiful church off Piccadilly is now in its fifth season, and bears the title "Lufthansa Festival of Baroque Music" — enlightened sponsorship for an enlightened and valuable and group voices into suitable and suitable and group voices into suitable a and group voices into suitable song-paragraphs, and the singing and playing of the St James's Baroque Players and Singers took its measure; but it required only a few bars of Dido and Asneas after the interval to expunge every trace of Preschile Theority bland of Draghi's fluently bland inspiration from the memory. Mr Bolton kept the opera intimate, using single strings, lute and harpsichord, and a

June 23-29

chorus of 12 containing most of the lesser soloists — forces probably not unlike those of the work's first performance at a Chelsea girls' school. It was finely controlled, balanced, paced, and weighted, fluent and light without ever risking superficiality; and at its centre, as counterbalance to the prevailing "domestic" simplicity in the dramatic import of the words and music — those sudden ripe plunges into vailing "domestic" simplicity of style, there was a Dido of unuterable majesty and grandeur by Della Jones, a reading of such passionate intensity that my hair stands on end at the slightest recall of it.

Miss Jones did not in any way blow the Carthaginian queen out of scale with her fel-low performers: ebe is a snpremely well-practised singer of 17th and 18th century

risks with the dramatic import of the words and music — those sudden ripe plunges into cheat register, sudden biting consonantal attacks (what scalding fury was poured into the phrase "the deceitful crocodile"), sudden moments of ethereal softness, all stoked the fires of the character to a glorious blaze. Miss Jones is singing better than ever; she is one of the priceless jewels of British opera. ish opera.

Max Loppert

#### **ARTS GUIDE** ITO-YOKADO CO. LTD.,

EXHIBITIONS

London

The Tate Gallery. Cacil Collins and F.E.McWilliam — retrospective shows side by side of two senior British artists: both shows until July 19; McWilliam sponsored by Ulater TV. The Royal Academy. The 221st Sammer Erhibition of the Royal Academy — the usual gigantic and enjoyable free-for-all of painting, sculpture, print and architecture with nearly 1,200 works on shew. Yet, as always, it is different this year for the particular treats it offers for the visitor who has the determination to search them out. Until August 20.

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AMSTERDAM DEPORTARY

COMPANY N.V. Musée de la publicité. Alfons Mucha in Ivan Lendi's collec-Mucha in Ivan Lendrs collec-tions. Some 100 original posters by one of the foremost creators of Art Nouveau are shown. Mucha, estching brilliantly the fin de siècle mood, wreathes his red-beaded beauties in flowers, swhiing volutes and floating draperies. Having become the favourite artist of Sarah Bern-hendt his nosters proclaim with hardt, his posters procisim with equal success the excellence of equal success the excellence of biscuits Lu, Perfecta, bicycles and boullon Maggi. Closed Tue, Ends July 17. 18, Rus de Paradis (Matro Chatean-d'Eau) (42481309). The Louvre. Apily, the newly refurbished museum inaugurates the 1,200 square metres of space created underground for temporary exhibitions by expressing gratitude for the sensorary of domors throughout its existence. 10pm, all days except Tuesdays. It's attention to detail. Non-providing the Physical Times to business greats, that makes a great board, Complicated and object of the Phonoisi Times we swelchib for business greate coping at the Physic Regency in Domicia. HYATREGENCY BRUSSELS PERMICIALTIMES

Ameterdem

Bosnellaites Enseum. The finest of the district Halain paintings in Dutch collections have been gathered in a show containing works by Duccio, Guido da Siena, Filippino Lippi, Bellim and Carlo Crivelli, Ends July 8,

Palais des Beaux-Arts. The Credit Communal Collection of Belgian Art from 1860 daily ends July 20. Galaria Triglypha. Bruxelles Protegé. Photographs of Histori-cal Monday. Ends July 1 (848 8006).

"Je Suis le Calrier", the sketch-books of Picasso. This exhibition of 40 sketchbooks and around 200 paintings, organised by the New York-based Pace Gallery and sponeored by the American Express company, will have its second stop here in Frankfurt on the Eventual tour These Sussecond stop here in Frankfurt on the European tour. These fas-cinating sketchhooks, owned by Picasao's family have never been shown in public before. All styles and periods in his working life are represented here. These books cover around 70 years of his Hig; his start in Spain at the turn of the century, the cubiam period before the First World War, and followed by the period from 1920 to 1965.

Cologne
Bildenstreit, Rheinhallen der
Kölner Messe, Messegelände,
Deutz, The two organisers Johannes Gachnang and Sieghted

Gohr, present "contradictions and contrasts as the essential source for the debate about con-temporary art." This exhibition source for the debate about contemporary art." This exhibition
is in contrast to avent garde:
it explains areas of action and
attempts to provide an unprejudiced outlook on the current art
scene. Approximately 1,000
works by 180 artists concentrate
on art since 1960. The show
should give a detailed view of
different art syles, with "old
classies" of modern art next to
works by contemporary artists.
Among them are Gilbert and
George, Kasimir Malewitsch,
Bilnky Palermos, Carl Andres,
Edvard Munch, Markos Luspert,
photographers Bernd and Hills
Becher, Joseph Beuys and Dadaist painter Marcel Duchamp,
John Baldesanis and Georg Baselitz. There are also works from
William Copley's collection by
Duchamp, Man Bay, and Rene
Magritte. Ends July 2.

Stuttgart

Startegalerie, Kourad-AdenauerStr. 30-32. Salvador Deli:
(1904-1989). Stuttgart presents
the biggest Salvador Deli retrospective since his death earlier
this year, to honour him on his
85th hirthday. 350 works from
all periods of his working life
and from several collections,
museums, galleries, from all
perts of the world, except the
Teatro-Museo in Figueras, his
home, are to be seen. The exhibition, organised by Mrs Karin
von Maur, 'who tries to explain
how Dalt's works can combine
with the post-modern period, with the post-modern period, concentrates on his works from the 1980s (surrealism). Among

them are pictures which have not been shown in public better. Ends July 23.

Messepalest. A thoughtful exhibition, called the History of the Modern Mind, deals with the works of Sigmund Frend as well as the plethorn of artists who grew up in Vienna at the turn of the century. Ends August 6.

Villa la Farnasina, Via Della Lungara 230. Drawings from the Venetian and Lombard schools: 16th to 18th centuries. About 100 works from the National Graphics Institute's collection. Particularly interesting is the Venetian section, with made studies by Tintoretto, works by Domenico Campagnola, a large group of sketches by Palma di Giovana, and two views of Rome by Canaletto. Make a point of seeing Rapabel's freecoes on the ground floor of the villa on the way out. Ends July 16.

Museo Currer, French impressionists from the Mellon collection at the National Gallery of Art in Washington: more than 40 works, among which are delights such as Courbet's seedelights such as Courbet's sea-scapes, Seurat's La grande Jaite, and Renoit's Madame Monet and Son. Rods Sept 4. Palazzo Grassi. Relian Art: 1900-1945. A nuch amplified exhi-hition covering a briefer period than did the recent show at the Royal Academy in London, organised again by German Celant, with the director of Pal-

areo Grassi, Pontus Hulten. An artempt is made to put the works into a clear political and social context, emphasising links with contemporary literature, music and channa. The exhibition ends with two blown-up stills from nims by Visconti and Bossellini, Ends Nov.

New York

Whitney Museum. The 65th in the long series of Annuals and Bienmales features a large group of lesser-known artists among the 80 represented on three floors of galleries, Ends July 9.

Washington

National Gallery. More than 400 images are part of a massive retrospective of the 150 years of photography, here represented by Afred Stiggitz, Walker Evans, Laszlo Moboly-Negy among dozens of others. Ends Ang 13.

Chicago

Art Institute. Mester drawings from the Teyler Museum, the clidest in Holland, include nearly 100 works of two centuries by Michelangelo, Raphael and Rum-brandt.

Suntary Museum. Wall paintings and screens from castles and temples of the Monoyama Period (18th century). The works are of two main types: sumie landscape paintings and colourful paintings on a goldless background. Closed Mondays.

SALEROOM Paper record for Braque

Cubist work on paper ever sold at anction at Sotheby's in Lon-don yesterday. The early Cub-ist work of 1912, drawn over white and imitation wood-grain paper, was bought for £2.4m (estimate £700-900,000) by Thomas Ammann Fine Art, a Zurich dealer. It is the second highest price paid for a modern drawing

drawing.
At the Impressionist and At the Impressionist and modern sales in the same rooms yesterday and Tuesday evening, the secondary sales of the season, it was the top lots that sold on target and the lesser lights that topped their estimates. Thus, a ingularious late Modigilani of a man in a bar changed hands at an anticipated £3.52m, Wildenstein of New York paid £3.19m for Monet's notation of the river at Argenteuil, and a Gaugin still Argenteuit, and a Gaugin still life of exotic fruits, consigned by a Japanese collector, returned to Japan for \$2.31m.
The surprises came when a
Belgian dealer paid \$880,000,
twice the estimate, for
Magritte's depiction of the artist creating a woman out of
thin air with a paint brush, his
version of the story of Powers version of the story of Pygma-

A charcoel drawing of a head of a woman by Georges Braque became the most expensive also doubled expectations by

selling for 2836,000.

A clutch of records followed in Part II, including Gustav de Smet's 1920s interior "Le Can-apé Bleu" which was snapped up by Belgian trade for £550,000 (estimate £140-160,000).

The Usher Gallery in Lincoln has succeeded in raising an impressive £1,922,250 to match the price paid by Alan Bond for Benjamin West's portrait of Sir Joseph Banks, the distinguished Lincolnshire-born bot-anist who accompanied Cap-tain Cook on his expedition to Australia in 1771, and founder of Kew Gardens. The problem is that Mr Bond has refused to sell. Under existing export laws, a work of art of national importance may be temporar-ily refused an export license to enable a British collection to enace a British collection to match the purchase price, but the vendor is under no obligation to sell. The anomaly in the system effectively encourages. Mr Bond to re-apply for an export license with a valuation higher than the price paid at Sotheby's in 1987.

Susan Moore

#### FINANCIAL TIMES

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Thursday June 29 1989

# Japan's LDP at bay

IT IS USUALLY the beginning of the end for a politician or a political party when he, she, or it becomes a figure of fun. The Liberal Democratic Party in Japan, a conservative and sober institution that has run a country not given to excessive mirth for the best part of 40 years, is now running the risk of being beld in public deri-

In one critical sense, lt is entirely its own fault. It permitted itself to be so paralysed by the Recruit financial scandal that it elevated to the netinnal leadership a weak netinnal leadership a weak compromise politician. Now Mr Sousuke Uno, the new Prime Minister, though financially clean, is being laid low hy the sexual company he keeps. Given the amount of time it took the party to find him in its woodwork, the immediate prospect, regardless of whether be goes or stays for a while, is nf another vacuum at the political top. The longer term concern, once unthinkable, is that the LDP's long and stable rule, itself a substantial contribution to Japan's prosperity, might be in jeopardy.

Envy aroused

How and why has this come to pass? One theory, worth examination, is that Japan has changed while the LDP has not. It is true that the country has become less equal than it wes, thet the considerable wealth which has come to those with land or stock mar-ket investments has induced in the have-nots the long quies-cent sense of envy. in this process, the LDP has continued to ply its trade according to the time-honoured use of money and favours.

A variation of this is that Japan is picking np values from elsewhere, as it becomes more aware of the rest of the world. Certainly the country had heen, hefore Recruit, rather tolerant of foibles. Mr Kakuei Tanaka, the former Prime Minister, was hrought down because of his excessive use of money, but it was more the excess than the use that undid him. It was widely known that many politicians kept mistresses, but if and when they told their stories, as sometimes they did, the nation rarely listened. The problems of successive Prime Ministers

over first money and now sex could point to the adoption of

Finally, and more concretely, is undeniable that the party did itself much harm by push-ing through parliament late last year a singularly unpopolar piece of legislation, the introduction of a 3 per cent national sales tax, which pro-foundly affected its core constituencies in manufacturing and retailing.

Party squabbles

But the reality surely is that the LDP has come to its pres-ent sorry pass hy allowing itself to eppear weak and vul-nerable. The Recruit scandal was permitted to unfold before was permitted to initial vehicle an incredulous poblic while the party occupied itself exclusively with internal squabhling. The Recruit cull of prominent figores may have reflected the changing values of Japan hnt it was also just as much ahont the rivalry between two party giants, for-mer Prime Ministers Nakasone and Takeshita, each intent on blaming the other and each in the end undermining the other.

Poor Mr Uno, without a power base, was always going to be vulnerable to the first puff of an adverse wind.

This came from recent by-elections, in which the LDP has done badly, and from the fear that it will do even worse m next month's vote for half the Upper House. Even before his private affairs became public knowledge, Mr Uno was already fingered as the scape-goet. Yet, if the LDP would look beyond the end of its own nose, it would surely see that there has been no com rate rise in support for the motley crew of opposition parties on the centre and left.

The solution, therefore, still lies in the LDP's own hands. It would be best if it opted for a younger leader, regardless of whether or not tainted hy Recruit. Failing that, an ancient of real political clout might help get through the general election expected next year. But another nonentity will not do. Parties which are held in contempt either fall apart or lose elections. The Tokyo stock market considered this prospect yesterday and did not like what it saw.

# London's role in futures markets

THE CITY has long basked in its historic pre-eminence – at least in its time zone – in the field of commodity and financial futures. It has awoken late to the prospect of other European pretenders eroding its position. Steps are being taken to bolster London's position, hut they are too slow and prob-ably misdirected.

Once pariabs of the financial

world, sophisticated markets in derivative products are today essential assets of any growing financial marketplace. They have become important counters in the battle for the limelight among Europe's capitals. Together, London's deriva-

tive markets dwarf the rest of Europe's. The trouble is, together they are not. They are scattered between five loca-tions and fiercely jealous of

Meanwhile, Paris and Amsterdam, eager to loosen the City's grip on European commodities husiness, are both competing to entice the Inter-national Wheat Council and the International Sugar Organ-isation to relocate from Lon-

Matif, the Parisian market set up three years ago, already ettracts more volume than the longer established Liffe. And tomorrow the West German parliament is expected to vote through legislation allowing a domestic futures exchange to be set up next January.

#### Quarrels buried

In the US the Chicago Board of Trade and the Chicago Mer-cantile Exchange have agreed to hury their quarrels at least ong enough to consider comhining two embryonic elec-tronic trading systems in a potentially unbeatable global network. Japan opens its first solely financial futures

exchange tomorrow. But London's natural advantages - as the world's pre-eminent foreign exchange trading centre as well as home to the Enromarkets – lie unex-ploited. No one has devised a Eurobond future and the only successful currency derivatives

trade in the US. Until recently, the UK authorities took precious little notice of their derivatives mar-kets, save to react, too slowly, to justified industry complaints ahout tax and regulatory

impedimenta. The comparison with France, where the Government has stood right behind Matif, has not escaped

the City. Now, with a perceptible sense of urgency, one of the main policy responses has come from Mr Francis Maude, Minister for Corporate Affairs, who has strengthened his calls for London's markets to hold hands across a common floor. It is probably one of the least useful contributions the authorities could make.

Forced out of its cramped quarters at the Royal Exchange, Liffe is searching for new premises. The front runner is the Cannon Street development which could accommodate all six markets. It would be ready by the third quarter of 1990.

**Outcry tradition** 

There lies the rub. Such a physical trading floor will look anachronistic before it is built. While the sentimentality with while the sentimentality with which futures exchanges have clung to their tradition of open nutcry trading against the inevitability of eutomated trading is truly surprising, the progress made in the last year, notably in Chicago, has confounded observers. London has no room for complacency on that score

Ironically, the City's most overlooked advantage is indeed one of technology. Already two exchanges share a trade matching system far in advance of anything in the US. Liffe's own automated trading system is months ahead - for a fraction of the cost - of the recent and very similar Chi-cago Board of Trade product. Neither of the proposed Chicago systems can yet cope with soft commodities, whereas London has been trading a white sugar contract electronically for nearly two years.

Put these together and London's markets could have a single trading and settlements system that would hold its own globally, and would be a pow-erful tool to link with, rather than ward off, younger European markets. In encouraging such a configuration, the authorities, unencumbered by the exchanges' special inter-

he simplest way to define monetary union is an area of perma-nently fixed exchange rates, with no exchange con-trols or other barriers to the

free movement of capital or cir-

culation of currencies.

If words mean anything st all, this is the minimum to all, this is the minimum to which European summit leaders have committed themselves in Madrid. However great the jostling for position or the argument about "Who won?" or "Who lost?", the process is now likely to acquire a momennow likely to acquire a momentum of its own, as has hap-pened at every other stage in the Community's existence. The commitment to Euro-

pean monetary union is good news so long as it is realised that this does not necessarily involve the Delors vision of a federal central bank and har-monised fiscal and regional policies. The argument for monetary union, in the most fundamental sense defined in fundamental sense defined in my first paragraph, is that so long as exchange rate swings continue, business is not going to be indifferent to the geo-graphical sources of its prod-ucts or the distribution of its markets. An example is that some international companies follow a policy of serving each European country es far as possible from national sources. Europe will not be a single market – or a series of mar-kets cutting across state fron-tiers in the sense thet the US is

ties persist Seen this way, monetary union does not necessarily require e commnn currency and no more needs a United States of Europe than the gold standard nr Bretton Woods needed a United States of the

Western World. The present European Mone-tary System, which is based on the anti-inflationary anchor of the D-Mark, will be the basis of Stage One of the timetable agreed in Madrid, to start on July 1 1990. By then exchange and capital controls should have heen removed in the major countries; and in the course of Stage One all members have agreed to john the Exchange Rate Mechanism and hasten convergence of inflation rates and overall performance.

If the Delnrs Committee is followed, Stage Two will just he a transition to the vital Stage Three when there will be a federal-type central bank and uitimately a single currency. The heads of government did not commit themselves to the Delors specifics, but heve agreed to a fully and ade-quately prepared inter-govern-mental monetary conference to consider later stages, to meet "once the first stage had begun." That conference would require unanimity in any decision to amend the Rome Treaty. So the Madrid Summit has at least postpuned the spectre of a two-speed Europe. Readers who detect a stronger enthusiasm on my part for EMS — which forms the core of Stage One · than for the Delors vision of Emu are quite

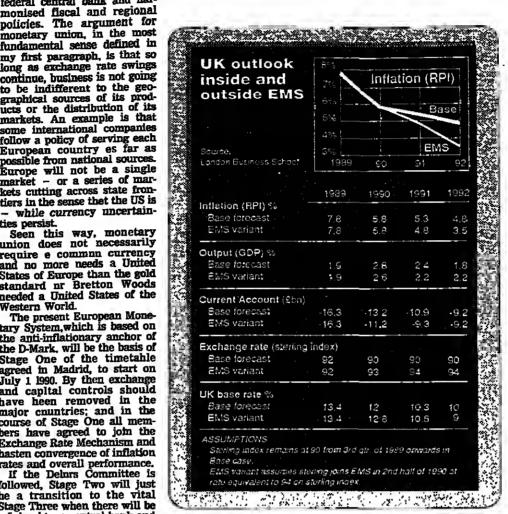
anti-inflationary anchor in being a D-Mark zone. The sys-tem requires a minimum of bureaucracy and institutions; and is difficult to use for pur-poses like harmonising hudgetary and regional policies.
It will be most undesirable to

try to transcend the EMS until one can be confident that any new set of institutions will

ECONOMIC VIEWPOINT

# Don't sell Madrid short

By Samuel Brittan



have the same commitment to stable prices as the Bundes-bank - which sets the pace in the EMS - and the same relative independence from politi-

There is also a positive case to he made. A sufficiently strengthened EMS, in which parity changes have become extremely rare, would provide many of the advantages of monetary union without the dirigiste accompaniments of the Delors version.

A common currency could even emerge from the EMS by an evolutionary route. Once it is accepted that parity changes have become a thing of the increasingly accepted across frontiers as they already are in border areas. Eventually the difference between one European money and another could approximate to the difference between English and Scottish hanknotes. The different

institution can be created when and if the need appears.
All in all it would have been better if all sides at Madrid had concentrated rather more on the problems of EMS in Stage One than on what President Mitterrand delighted in calling ideological arguments about

s Two and Three.

In this context the British Government should have been pressed much harder for a more definite commitment to join the Exchange Rate Mecha-nism at a foreseeable time. In return the communique might have heen more open-ended about the eventual goal. Its present wording will leave the way open to endless arguments about interpretation.
The Chancellor had already

told the Commons Treasury Committee that Britain should join the Exchange Rate Mechanism when the British inflation rate came down and when there was evidence that the national names can be changed mechanism could survive the removal of exchange controls and a common central banking hy countries such as France and Italy, due by July 1, 1990. To these Mrs Thatcher added in Madrid three further condi-tions: completion of the internal market, a free market in services, and a stronger compe-tition policy.

These extra conditions can

mean everything or nothing. It is most unlikely that all of the single market will be implemented by the end of 1992 and bickering on many aspects can continue into the 21st century. On the other hand, the British Government could, if it chose, decide at any time from mid-1990 onwards that sufficient progress had been made in these areas to establish the bona fides of its partners.

Thus there is no early prospect of an end to wearying arguments for and against British entry both inside and outside the Cabinet, and to disputes over the interpretation of the all-too-short UK experiment in shadowing the D-Mark in 1987-1988.

in 1967-1988.

Meanwhile the London Business School has argued the domestic case for EMS entry in its June Economic Outlook. It starts from the lack of credibility of British counter-inflationary policy — which will not be restored by one favourable blip in the trade figures. even restored by one favourante one in the trade figures, even though that has enabled the the Bank of England to launch a successful raid on sterling bears. Not only are there well-known divisions at the top of the Government, but the IPS believe the interest in the state of the control of the LBS believes there is no combination of measures of the money supply which is suffi-ciently reliable for a domestic restatement of the Medium Term Financial Strategy.

On the LBS projections, underlying inflation will remain above 5 per cent in 1992. To go much below this rate would require another rate would require another recession or some alternative shock to expectations. The latter could be provided by a firm peg against the D-Mark which would set a non-discretionary guide for monetary policy.

The LBS simulation printed here differs from that nub-

here differs from that published in the LBS Outlook in assuming that British entry takes place, not now, but in the middle of 1990, the earliest date hinted at by the Chancellor. The LBS urges joining at a D-Mark rate of 3.10 to 3.30, assumed to be equivalent to 3. assumed to be equivalent to a sterling index of 94; and base rates have to rise initially on entry to establish credibility. Nevertheless, inflation is down to 3% per cent by 1992. There is a modest initial loss of output due to the higher exchange rate, later recovered. (With credibility gains included, the inflation rate could be down to

2 per cent or 3 per cent). The LBS simulation does not, of course, prove the case for entry but illustrates it. The simulation is at least more plausible than that of the Liverpool Group which sug-gests that inflation will be down to 1% per cent by 1992 despite a 14 per cent or 25 per cent devaluation of sterling. Of course, the technicalities

of an exchange rate-based counter-inflationary strategy will never appeal to the popu-lar imagination, in the way that the vision of a Europe, where there are no border checks and no money-changers at frontiers, may indeed do. The task of economic liberals is to harness the two aspects together and not to leave the dirigistes and corporatists with the best tunes. **BOOK REVIEW** 

# The fall of a businessman

his is a story of corpo-rate intrigue. It seems that there was this busi-nessman called Mr Ernest nessman called Mr Ernest Saunders who took over the running of Guinness, a dread-ful old company on the brink of collapse, and by dint of jolly hard work and some good ideas turned it into a cracking success. Then just as everything was going swimmingly, he was asked to dinner by two nerwas distinguished City gents

- a Mr Reeves of Morgan

Grenfell and a Mr Forbes of

Cazenove — who told him he really ought to make a big takeover bid. Well, Saunders was a bit

well, Sainders was a bit uneasy, and he never really understood all those compli-cated takeover rules, but the bankers pushed for action and soon enough Guinness had bought the Arthur Bell whisky business! Then everyone said there ought to be an even hig-ger deal, and although Saun-ders was not at all convinced by the idea, he found himself enguised by the general enthu-siasm and next thing you knew he was bidding for Distillers! It turned out that his main job was to handle the lobbying and public relations side, leaving the numbers men to do all the detailed stuff, and soon there were all kinds of strange people wandering around in his office. Anyway, Guinness won the day – and then things started to go wrong. Saunders had made some enemies along the way - most of them Scot-tish and all of them - all of them! - with some kind of axe to grind. There was an old sourpuss named Sir Thomas Risk, who took to sort of breathing down the phone at the most inappropriate moments, and was interested in picking np banking business: a Mr John Chiene was cross because Guinness wouldn't give his firm more of

Nigel Broackes was interested in supplying shipping services, and so on and so on. There were other odd charac-ters around too. Saunders had been enormously impressed, at a half-hour breakfast meeting, with a Mr Ivan Boesky, who could produce some terribly useful contacts in the US, and so Guinness had put \$100m into one of his investment funds. A red-bearded belly-acher from the Scottish Amicable was another matter altogether, and as for the public relations men! They were dreadful. Whereas Saunders went round briefing journal-ists, his enemies "fed them all

its stockbroking business. Sir

sorts of stuff." Anyway, things moved from thing of all was that the Estab-lishment decided that the time had come to make an example of someone in the City. "One big attack on a high-profile ompany, identified with one high-profile person, was the ideal strategy. It might be all that was necessary to remove potential electoral embarrassment concerning City scandals.

NIGHTMARE: The Ernest Saunders story By James Samders Hutchinson, £14.95p

There was a general election to come in 1967, and Thatcher wanted the decks cleared.

In May of that year, Saunders was arrested. So began the Nightmare, the title of a

well-written account of the Ernest Saunders story by his son, James. As the blurb tells us, the book "shows how a career and a family can be destroyed when the awesome power of the political and financial establishments are trained on an outsider whom trained on an outsider whom they are determined to sairtice." Well ... yes. The book, inevitably, presents a partial account of these extraordinary events, to put it very mildly. Contrary to the impression given here, Mr Saunders never looked at the time like a reluc tant passenger on the takeover train: rather, he appeared fero-ciously single-minded in his pursuit of victory, and seemed absolutely on top of the events around him. The motives ascribed to some of his oppo-nents are absurd, and his ver-sion of events will cause welljustified apoplexy in the smarter parts of Edinburgh. But even if you aim off by

veral miles to allow for family loyalty, and for Mr Saunders's own public relations skills, you are likely to be left with three unsettling thoughts about the Guinness sifair.

One is that the City in general, and Morgan Grenfell in particular, deserve a fair measure of the blame for what happened. At various stages in the story, the urge to do a deal -to earn fees and to make the headlines - appears to have swept all notions of common se to one side,

The second is that the arrests in 1987 did appear to be stage managed in a way that would secure the maximum number of beadlines. You don't number of headlines. You don't have to go even half way to accepting the conspiracy theory to wonder whether this was the best way to do things. Finally, it is now over two years since Mr Saunders was arrested and still more delays are likely before he comes to full trial. That is much too long a period for someone to

long a period for someone to have to live in limbo. Nightmare gives fascinating insights into Mr Saonders's personality. It will also infuriate most of the important people in the City that he has ever had dealings with. For both reasons, it deserves to be read.

Richard Lambert

Correction: an article about Japanese investment on this page yesterday stated that were 14 Japanese computer plants in Europe. This should have read 14 Japanese computer printer plants.

#### A shot gun wedding

■ Holland & Holland, the gunmaker, appears to have fallen to the French. Although, yesterday being a funny sort of day in London, there was no one around officially to con-

firm it, letters have gone to shareholders saying there has been an agreed bid by Chanel. Earlier this year, there was talk of the gummaker going to Asprey, the jewellers, which has premises just round the corner from Holland & Hol-

land. It was thought to have been a good match, but no deal was worked out. One of the Holland & Hol-land directors, Julian Cotterell, who was also unavailable for comment yesterday, is undercomment yesterday, is under-stood to have resigned in pro-test. He objects to such a tradi-tional English firm going to foreigners and also says that there is no synergy between gunmaking and French per-fume.

fume. Still, the offer of 900p a share which values Holland & Holland at just under £11m, is likely to go ahead. Other direc-tors own over 50 per cent of the shares. The chairman of Holland & Holland is Andrew Hugh-Smith, better known as chairman of the International

Magic carpets Helmut Rothenberg, the founder and senior partner of the accountants, Blick Rothenberg & Nohle, is retiring at the age of 75. A refugee from the Nazis, he came to England in the 1930s and set up the firm m 1945. About 30 per cent of

its business is now with the German-speaking world.
One of his post-war breaks, Rothenberg recalls, came from an Irishman. "Bring me back to life," the Irishman requested. It turned out that before the war he had marked a form from the inland Revenue "deceased." Since then he had made a large sum of

# **OBSERVER**

money from dealing in carpets: too much indeed to conceal from the Revenue, so he wanted to be restored to offiwanted to be restored to offi-cial existence. Rothenberg won a year's grace from the author-ities to sort out the man's accounts and was paid hand-somely for his pains.

More recently Rothenberg claims that the secret of his

firm's success has been never to have specialised in anything in particular. "Clients want to deal with people they know," he says, "and the part-ner stays with the client. The bigger the big boys get, the better for us. We have prob-lems with recruitment nowadays, but so do they." There are, he reckons, about a dozen comparably-sized accountancy firms in London, and they are not yet about to be gobbled up by the hig eight; nor will they bring in lawyers as part-

But there has been a change, he says, between corporate and private clients. "In the old days the company chairman always wanted you to do his mother-in-law's accounts as well, and you would add perhaps £100 to the bill. Now they are quite separate."

Backing Mackay

Writing of lawyers and accountants reminds one that the Prime Minister has never quite made it clear how far she stands behind Lord Mackay and his proposed legal reforms. It is not yet absolutely certain either that they will be in the next Queen's Speech. If they are to be, the Lord Chancellor will need to have refined his proposals within the next two or three weeks. If they are not, it is very unlikely that they will be in a Queen's Speech before a gen-eral election: then the whola process of green papers and



"Isn't single/double summer time an infringement of sovereignty?"

consultation would have to start again. Perhaps Mrs Thatcher could speak up a bit about whether she wants the reforms or not.

Kennedy talk Representative Joseph Kennedy is proving an embarrassment to the family tradition. Not only does he lack the charm and intelligence of either his father (Robert, the late Senator and Attorney Gen-eral) or his uncle (the former President); he is also short on

eloquence. At a House sub-committee hearing this week, Kennedy was questioning an official on Third World debt. He said: "You know, I really appreciate your testimony here this morn-ing. I just can't believe you can lay out so many facts that are basically an indictment of the entire system at the moment, and then when we come down to asking you to help fix it, you say you don't

want to hurt anybody. Give me a break, you know – if we had a problem here, we're going to end up dealing with it."

Japan's fall

■ A significant change may be taking place in Japan. It used to be said that if Europe and the US were to compete, they would have to follow the Japanese example and put more and more of their top graduates into manufacturing graduates into manufacturing and fewer into the financial

and fewer into the financial side. Now it looks as if the Japanese themselves may be picking up western habits.

Last year only 32 per-cent of Japanese university science graduates went into manufacturing businesses compared to 45 per-cent in 1986. On the other hand, the proportion going into finance, real estate, insurance and other such trendy sectors has jumped. trendy sectors has jumped from 6 per cent in 1986 to 12 per cent last year. Perhaps we just have to be patient, and the Japanese will become as decadent as we are.

Back to steam ■ The novelty and sense of adventure of the London trans-

port strikes is wearing off. No one we called at the Treasury yesterday was there to answer the telephone. A senior banker failed to turn up for an appointment the traffic was much worse than last week when most people seem to have taken the day off; and it was raining.

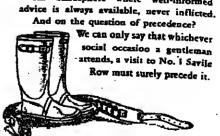
London Underground, how-ever, chose the latest day of disruption to announce that it plans to bring back steam locomotion for the first time in 30 years. A special train pulled by a vintage engine built in 1898 — will run between Chesham and Watford on the Metropolitan Line this weekend and next to celebrate the centenary of the line's Chesham branch. Moreover London Underground guarantees the train will run.

#### On being suited for the social calendar.

When talk turns to ociety, which event takes precedence? The Stewards Enclosure at Henley, 🦜 perhaps? The lawns of Glyndebourne? The Royal Enclosure at Ascot? Wirbout decrying these glittering

occasioos, could we suggest that attendance 22 No. 1 Savile Row is absolutely de rigear for the geotleman io society? A place where one may purchase the

ideal attire for the grouse moor or the Opera House, in so atmosphere of quiet and attentive service. An atmosphere where well-informed





The mark of a gentleman

London: No. I Savile Row, W1 18 Lime Street, EC3 64 Camon Street, EC4 Bath, Cheltenham, Chester, Edinburgh, Winchester

#### Steven Butler reports on the instability that is likely to linger in China

# A confusion of fact and fiction'

oad crews were out all last week on the Avenue of Eternal Peace in Peking, lay-ing down patches of fresh black asphalt and painting on hright white lines. They were repairing the damage caused when scores of tanks and armoured personnel carriers chewed up the road just over three weeks ago in a hloody assault on unarmed pro-democracy protestors.

Behind the vermilion gates

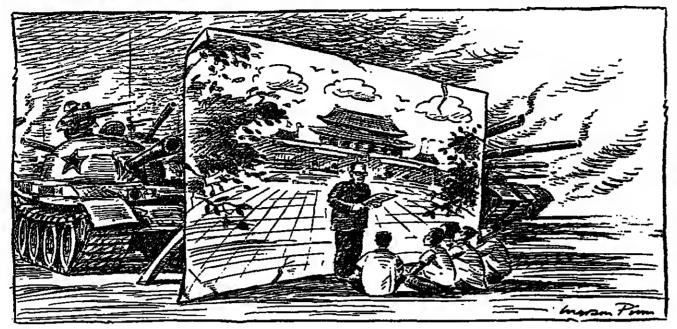
of Zhongnanhai, the Commnnist Party headquarters, a dif-ferent sort of patch-up job was proceeding. The party polit-buro, packed with ageing har-dliners, met to appoint a new

Jiang Zemin, the new Party General Secretary replacing Zhao Ziyang, purged for his sympathy with protesting students, is a lowest common denominator, the man acceptable to warring factions. He is a political hardliner with a record of moderate economic reform as mayor of Shanghai yet he comes to what should be the most powerful job in China without a national political constituency end is at the mercy of China's old men. The mix looks singularly unstable.

Despite triumphant red headlines announcing the new leadership in the People's Daily, the Communist Party newspaper, the party's prestige and credibility have sunk to an all-time low. Crisis and turmoil are expected to continue in an economy suffering from stag-nation and inflation. China's growing international isolation threatens both diplomatic contacts and at least \$1hn in eco-

But none of the problems that provoked people to take to streets, from corruption and nepotism at the highest level to suffocating restrictions on the press, has been seri-ously addressed. Instead, an ideological campaign was launched to study a congratulatory speech that Deng Xiaoping. China's paramount leader, delivered to martial law commanders. After reading a copy of the speech many people in Peking wonder whether the old man, at 84, is losing his grip on

"It's almost as though no one has told him what hap-pened," says a senior diplomat in China. According to Deng:
"If we had used tanks to roll across (the protesters) this



would have created a confusloo of fact and fiction across the nation." Yet it is the overall tone of the speech that leaves an impression that Deng was not just spouting propaganda hut may have seen only the army's crudely doctored videos of what happened.

Deng says that 2 per cent annual economic growth is all China needs to be a moderately decadened pattern by the middle.

developed nation by the middle of the next century. At 2 per cent, China would be moving

An even more disturbing aspect of the speech, perhaps, is that Deng does not see the relationship between granting more economic and personal freedom and the demand for political change. Instead he

blames the protest on vague international and domestic trends, as though a reformist ether had drifted across the border from the Soviet Union.
Consequently, Deng wants to continue reforming the economy, saying that all that is needed is a hit of political indoctrination.

Although in public the nation fell quickly into line, praising Deng's analysis, it took only days for Deng's speech to become the hntt of private ridicule in Peking. There is no way to know if the self-selecting minority who will speak to foreigners reflects commonly held views. Yet it is striking that inhibition against speaking should hreak down so

tial performance bond if the

licence conditions are not met.

Mr Dunn's comments about bids involving other European

Community countries are mis

leading in several ways. He does not acknowledge that the restriction on foreign control

in existing legislation does not apply to EC companies. He says nothing about our Treaty of Rome obligations, or our readiness to pursue reciprocity

questions in Brussels. And he ignores the fact that no bid

(whether it involves other

European countries or not) for

a regional Channel 3 franchise will get past first base unless it can satisfy the ITC that it can

genuinely meet the require-ment to show regional pro-

Mr Dunn is incorrect in say-ing that the purpose of the new arrangements is to maximise the revenue for the Treasury.

Their purpose is to provide

hroadcasting services which maintain the desired range and

quality of programmes, and which provide a proper return to the taxpayer for the use of a scarce resource.

Quality is one of the three key words in the Government

white paper, alongside compe-tition and choice. The Govern-

ment is absolutely committed

to the preservation of the range and quality of pro-gramme services. The propos-als which we have put forward

have as their objective the maintenance of the quality of British television, while at the same time enabling our broad-

casting industry to function in the highly competitive future environment of police terror.

The Chinese people have seen this before, and they know bow to protect themselves. Every time in the past 30 years, when they have gone through the motions of sup-porting the latest political cam-paign, they have later come to

admit they were acting.

It will be no different this time. It could even be easier to lie now, because with the gov-ernment held together by an old man, whose energies and health are obviously fading, the deceit need not go on very long. This underpins the funda-mental instability of the Government. A semblance of sta-bility among the leadership is likely to endure for a year or

The wording of the denunci-ation of Zhao Ziyang indicates continuing tension hetween hardline and more reformist elemente in the leadership, which is riven by factional alli-ances based on personal loyalty. Zhao remains a comrade and a party member who com-mited only mistakes, not crimes, while he made useful contributions to economic reform. Many of his lientenants have survived politically, although they have been removed from the highest organs of power.

what happens after that?

It is possible to envisage many plausible outcomes when Deng goes, from a complete victory by the hardliners, hacked hy President Yang

#### quickly, despite an atmosphere two, provided Deng lives, But Putting the party back on track

THE higgest shock of the democracy demonstrations for Deng Xiaoping, China's paramount leader, must surely have been how many Communist Party

members joined in.
In an attempt to restore party order, the party's discipline Inspection commission has announced a campaign to purify the party by dismissing and one in four adult urban males belonging to the party, and a total membership of 47m - almost 5 per cent of the population - this would require an big national effort.

The party emerged at the end of the Cultural Revolution with about 35m members, which was agreed to be an extraordinary figure. Yet at that time, despite initial efforts to purge radical leftists, no one had the stomach for yet another struggle. Instead the party absorbed a batch of people formerly seen as rightist intellectuals, as well as managers and technicians important to China's modernisation drive.

The result was an organisation that was uncontrollably large, divided among political generations who hold differing political views. If the past is any guide,

the next step of identifying miscreants and punishing them could split the party into warring factions at every level. The most likely outcome is that leftists, who have been passed over with the recent emphasis on technical skills, will

seize an opportunity to revive their political fortunes. If the party's millions of members become preoccupied with political survival, attending meeting after meeting and struggling against their colleagues, they will have little energy left to tend to their jobs. And there will be little desire for taking risks to solve economic problems.

# A supine policy on charities

By Michael Prowse

SUPPOSE I have three loves: guns, the Moonies and market forces. You may be surprised to learn that I can enlist your support for all three causes. I support for all three causes. I simply enter my favourite rifle cluh, the Sun Myung Moon Foundation and the Adam Smith Institute on a Give-As-You-Earn form. Tax relief at my top marginal rate is credited automatically. And the Chancellor must make good his shortfall by raising taxes on everybody else.

Under British charity law, rifle clubs, the Moonles and the

quent centuries of bumbling case law. The Elizabethans took seriously the view that

charity was mainly about relieving poverty. But over the

years the courts bowed to pow-erful interest groups and steadily extended the scope of charitable status. By 1891, in the influential Pemsel casa,

Lord MacNaghten was able to classify charities as falling under four heads: the relief of poverty, the advancement of

ducation, the advancement of

"other purposes beneficial to the community."

This last heading opened the floodgates. For example, it jus-tified tax relief for rifle clubs

on the grounds that they advance the efficiency of the armed forces - reckoned bene-ficial to the community.

Charities play an increas-ingly significant role in the

economy, perhaps accounting for as much as 4 per cent of gross national product. They

receive more than £21/4hn a

year in state grants and tax concessions. Ministers con-

stantly urge individuals to give more generously. In such cir-cumstances you might think a

modernisation of charity law would be a priority. No such luck. The Home Office view is that nothing can

been frightened away. The immediate problems alone are serious enough. Inflation, at nearly 30 per cent a year, seems likely to go even higher as a result of the recent disruption. An austerity programme has hit rural industries, boosting unamployment, and many enterprises are short of cash. The summer harvest appears to have been good, but peasants will be unhappy if the banks run short of cash when it comes time to pay them, as is likely. Keeping the living standards of both workers and peasants from declining could prove impossible. rifle clubs, the Moonles and the Adam Smith Institute have the same status as Oxfam. Dr Bar-nardo's and Save the Children. Other tax-privileged charities include the British Hedgehog Society, Harrow School and a group which examines the facial expressions of the dead to see whether there is an after-life. prove impossible. The extraordinary laxity of charity law reflects its origins in the preamble to an Elizabethan statute of 1601 and subse-

Beyond this is a raft of seri-ous long-term problems, including hottlanecks in energy and transportation, environmental degradation, environmental degracation, rapid population growth, declining national revenues, widespread illineracy, and an industrial system that seems impervious to management reforms. Prices are highly distorted and badly in need of readjustment and liberalisa-tion.

Shangkun who controls the army, to a comeback by the reformers, who are essential to

management of the economy.

Yet no plausible scenario involves stability and continu-

Foreigners, whose involve-ment is critical for develop-

ment for the economy, have

been frightened away. The

The liberal reformers under Zhao Ziyang had no ready soln-tions to these problems, and are probably at least as respon-sible for the economic mess as the conservatives. Yet Zhao was willing to try new ideas, supported by a set of liberal think tanks that kept churning them out

As liberalism is replaced by fresh talk of class struggle, the crop of new ideas could be severely blighted. The regime recently ordered the hunting down of seven leading intellectuals; nothing symbolises the new atmosphere better than the armed troops stationed at the Academy of Social Sci-

It is an atmosphere that chillingly reflects the reality of an old elite, out of touch and struggling to maintain a grip on power. It is not an atmosphere in which China's warring politicians are likely to find much energy to address the nation's pressing issues.

be done. Seminars were held last year to see if an improved definition of charitable status could be agreed. But the tower-ing intellects present (which included several Chancery judges) just could not see a way of hettering the status quo. Last month's white paper even claims that the present legal framework has been "sensitive to changing needs whilst maintaining the fundamental principles on which the con-cept of charity rests." It concludes, lamely, that there would be "few advantages" and "many real dangers" in attempting wholesale redefini-

A more supine attitude is hardly imaginable. It is non-sense to argue that we must accept the decisions of past governments and courts when they themselves were prepared to make amendments in the light of changing opinions and circumstances. There is no reason why a host of hizarre organisations — typically run by the middle classes on behalf of the middle classes — should continue to anjoy charitable

one way to close some of the loopholes would be to adopt a definition of charity which placed primary emphasis on the relief of poverty. A reli-gious or educational organisa-tion would then warrant charitable status only if it could show that its activities mainly benefited poor people (say the bottom third of the income dis-

tribution).
Take Harrow School, It was established to educate children from poor local families. As such it deserved charitable status. But gradually, its commitment to the poor waned. It now charges some of the highest fees in the country and draws pupils from the nation's most privileged households. On a sensible definition of charity. Harrow would no longer qualify for subsidies from taxpayers, most of whom are poorer than the parents of the children it educates.

In charity law, as in everything else, the best should not he allowed to hecome the enemy of the good. The fact that a perfect definition of charity is not available is not an excuse for throwing up our hands and doing nothing. fees in the country and draws

hands and doing nothing.

# 'Quality is one of three key words' ted by the successful applicant and written into his licence will set the target that he must achieve. The ITC will have a range of sanctions which will include — in the last instance — the removal of the licence and forfeiture of the substan-tial performance hond if the

tained.

Sir, I write in reply to the recent letter from the chairman of the Independent Television Association (Letters, June 22) about the Government's proposals for awarding inde-pendent television licenses

after 1932. I am glad that Mr Dunn accepts that there will be a more competitive future for the broadcasting industry and that the public could benefit from more choice of television viewing. However, I believe his judgment about the future quality of British television to

be wrong. He has assumed that the process of auctioning the fran-chises must be in conflict with the principle of good quality television. As the white paper television. As the white paper makes clear, and as the Home Secretary repeated in his statement in the House of Commons on June 13, there is no question of a "laisser faire" arrangement. All hidders for Channel 3 and Channel 5 licences will have to satisfy the Independent Television Commission (TTC) that they have mission (ITC) that they have satisfied the quality threshold.

This will be no mean task. in the case of Channel 3 licences. the threshold will include a requirement for programmes, both of regional interest and made in the region.

For hoth Channel 3 and Channel 5 there will be requirements for high quality news and current affairs.

diverse service calculated to appeal to n wide variety of tastes and interests, and a reasonable proportion of programmes of high quality. Twenty-five per cent of all orig-inal productions will be made hy independent producers. No hidder unable to satisfy the quality threshold will even get to the stage of having his bid considered

Mr Dunn argues that a competitive tender for licences will lead to a reduction in quality and a narrowing of choice

unless the Government intervenes to correct the inevitable skew towards profit maximisation at the expense of quality. But that is precisely what we have done. All these measures have been designed to ensure that the range and quality of British broadcasting are main-

The new quality threshold is not less rigorous than that in the 1981 Broadcasting Act, but it is different. The reason is that, as channels proliferate, it makes less sense for regulators to try to lay down in detail what programmes are shown, and when. Increasingly the viewer and listeners will decide for themselves what they want to watch or listen to.

Mr Dunn argues that it is
impossible precisely to define
quality in television. I agree
with him. I do not envisage

that the ITC will attempt a definition of the word "quality" that would satisfy a lexicographer. Their task will be to ensure that the programme service offered by hidders meets the quality threshold.

This is nothing new. The IBA has always had the duty to ensure that those seeking licences for ITV are capable of providing a service which providing a service which offers a high general standard in all respects. The ITC will continue that role All that we are requiring the ITC to do is to make public their reasons if they consider that any hid does not meet these criteria. I am not advocating some form of new intellectual hoop through

He also argues that the cuality threshold and performance bond will be insufficient to ensure a consistently night standard of programmes. Of course he is right to say that the preservation of quality depends on top talent plus adequate funding plus reasonable stability. But the response to the quality threshold submit-

which either those desiring licences or the ITC will need to

#### Broadcasting by auction From Mr Simon Albury.

Sir Some of your correspondents on hroadcasting by auction have failed to emphasise the central flaw in the Government's proposals: franchises will be won by companies which propose to spend the

least on programmes.

Our response to the Broadcasting white paper pointed out that under the crude auction proposals, the more fran-chise applicants planned to spend on programmes, the less they would have left to bid. they would have left to bid. Competitors in the Channel 3 and 5 anctions will seek to judge what is the cheapest acceptable set of programmes proposals that will scrape over the quality hurdle so that they have the maximum amount of money to devote to their bid. We presed the Comment to We used the Government to define the range of pro-grammes which Channel 3 and the new Channel 5 would broadcast, to include a guaranteed proportion of hours and resources for arts, education, religion, drama, documenta-ries, children's programmes and current affairs. The Home Office ignored this.

Office ignored this.

We proposed that, if there had to be an auction, applicants should quantify what they would spend on programmes of different types, and that this should be weighted and included as an element in the bid, alongside the wire cash offer. As tax pay. the pure cash offer. As tax paythe same people in different roles, this proposal met the Government's goal of provid-ing the best return for the use

of a public resource.

We must hope that Parliament will find some mechanism like this to re-assert the interests of the viewer when it considers the Broadcasting Bill over the next year - or better still, make quality of pro-gramme service rather than money the final criterion for determining which companies

are awarded franchises.

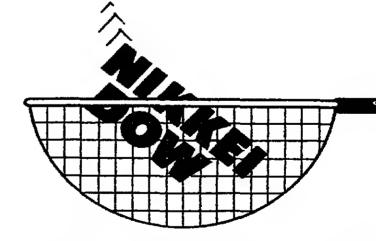
Nothing in the Home Secretary's recent statement on broadcasting alters the fact that money to the Treasury is the Government's over-riding concern; and viewers will be offered programmes of lower quality and narrower range.

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#### Getting around London

From Mr Richard Miles. Sir, London Regional Transport asserts that it needs to increase fares in order to reduce the number of passengers using the London Underground system, because it is no longer possible to crowd

The impertinence of this is

almost unbelievable, given the level of efficiency as which LRT operates. A few working escalators in the tube stations would quicken the flow of people, as would shorter intervals between trains. These (at least

erally hlamed on "non-avail-

ability of staff" or "defective trains." Both, surely, are mat-ters of managing existing its customers. on the Northern line) are gen-

Queen Anne's Gate, SW1

Tim Renton, Home Office,

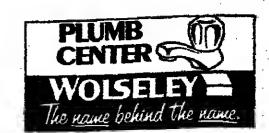
assets rather than of investment. The management of LRT should examine its own failings before trying to penalise Richard Miles 15 Brandreth Road, SW17

Simon Albury. The Campaign for Quality Tele-PO Box 321.



# **FINANCIAL TIMES**

Thursday June 29 1989



THOUSANDS SEND MESSAGE OF PATRIOTISM TO YUGOSLAV AUTHORITIES

# Serbs celebrate on Field of Kosovo

By Judy Dempsey in Gazi Mestan, Kosovo

**HUNDREDS** of thousands of Serbs gathered yesterday on a remote field in Yugoslavia to witness and take part in a day of Serbian triumphalism. And they came from all over the world the US and Canada, Australia and Sweden.

The Field of Kosovo (the size of London's Hyde Park) com-memorates the 600th anniver-sary of the Battle of Kosovo, when the Turks defeated the Serbs and drove them out of

this rugged and poor land. Kosovo is the cradle of Ser-bian culture and yesterday the Serbs returned to send an unmistakeable message of patriotism to the country's communist anthorities which has been struggling to contain a growing mood of nationalism and a worsening economic cri-

It was a day of triumphant celebration, an outpouring of nationalist sentiment for the vast crowds who packed the scene of the bloody and fateful battle.

They embraced their fellow Serbs and joined with them in waving vast portraits of Mr Slobodan Milosevic, Serbia's powerful president whose unashamedly nationalist campaign for Serbian unity has undermined the unity of the Viccolar Endeatten into the Yugoslav Federation since the death of President Tito in 1980. Mr Milosevic, the most domi-

nant and divisive figure in Yugoslavia, had planned this event for months, since securing earlier this year changes in the federal constitution which returned to Serbia full control over Kosovo, a virtually sepa-rate republic since 1974 when President Tito gave it autonomy to block Serbian nationalism. In so doing, he divided the Serbs from a spiritual homeland and opened a sore which Mr Milosevic is seeking

In doing so, however, he has stirred fears among the other republics, particularly Croatia and Slovenia, of a return to Serbian ambitions to rule over all of Yugoslavia, Serb and non-Serb alike. The country was fissiparous before Milosevic, but has become more so

There is no doubt he enjoys furious support for his actions. An nnremitting refrain of "Sloho, Slobo," roared across the Field. They chanted: "Kosovo, Kosovo...Yugoslavia, Yugoslavia," as the sun beat down on the sea of flags and portraits.

"After several decades, Serbia has restored its statehood and its national and spiritual

and its flatconal and spiritual integrity," Mr Milosevic told the enraptured crowds.

Speaking from a lavishly decorated podium, decked with nationalist and Communist symbols and filled with a large combestor, he told his support. orchestra, he told his support-ers that the country's former "leaders and politicians, with a feudal mentality, had imposed upon the Serbian people the feeling of guilt towards the others and even towards them-

"But now the moment has come when, standing in the Field of Kosovo, we can openly and clearly say: No longer!"

The Serbs responded with rapturous applanse. "We are home again and thanks to him: he is great," said one lady, who had travelled from Illinois, esnecially for the event.

had travelled from Illinois, especially for the event.

"Milosevic has given back the Serbs their volce, their soul," she added, wearing a tee-shirt which displayed every available badge immortalising Mr Milosevic. "But please," she added, "do not quote my name. I don't want those Albanians to string me up."

The ethnic Albanian majority, which make up 80 per cent

ity, which make up 80 per cent of the 1.7m population in Kosovo, were excluded from yesterday's commemorations, even though they had fought alongside the Serbs in the Battle of Kosovo.

Many Serbs were ignorant of this and seemed to believe that part of the Serbian press which for months has accused the ethnic Albanians of rape and pillage in order to drive out the 200,000 Serbs from Kosovo alto-

gether.
"With Slobo, Kosovo again belongs to us." said young Serbs who had travelled down from Belgrade. Since April, 237 Albanian



prison for protesting against the constitutional changes. Purges are continuing in the party and media in Kosovo, which, though the leadership is mainly Albanian is now firmly under the influence of

Mr Rahman Morina, the tough Kosovo party leader who until recently was head of the Kosovo police, justified the continuing crackdown on the grounds of "defending the constitution and of wiping out separatists and nationalists."
Mr Milosevic warned his audience that those battles lost

in the past were due to dis-unity among the Serbs. "Today Serbla is united, equal with the other republics in Yugoslavia, and ready to spare no effort to improve the mate-rial and social life for all its



citizens," he said. Mr Milosevic confirmed the spirit of unity among all Serbs. But his actions are also pres-

ently confirming the fragility of the Yugoslav federation.

#### Queen's **English** ain't wot it used to be says Prince

By David Thomas in London

THE heir to the British throne the Prince of Wales, startled a group of senior businessmen and ruffled a good many feathers yesterday by launching a stinging attack on standards in UK schools and confiding that was his own staff had nother even his own staff had prob-lems with the Queen's English. "All the people I have in my "All the people I have in my office, they can't speak English properly, they can't write English properly," he admitted. Prince Charles revealed that he had to correct his own letters: "English is taught so bloody badly. That's the problem."

His remarks started an instant row when they leaked

Mr Kenneth Baker, the Education Secretary, said: "Prince Charles echoes the concerns of many parents. That is why we are introducing a national curriculum with English as a core sphiort."

subject."
Mr Nigel de Gruchy, general secretary-elect of the teachers' union, accused the prince of using had language and uttering ungrammatical sentences.

The dozen secretaries and managers in Prince Charles's office at St James's Palaco in

office at St James's Palace in London reacted with well-trained sangfroid.

"We are not upset by it and are not making a mountain out of a molehill."

Prince Charles's off-the-cuff

remarks were made to about 20 senior executives who have recently visited run-down gathered in London to report their findings to the prince. He listened carefully until he was prompted into expressing his views by a remark on deteriorating standards of behaviour among the young.
"The whole way schools are

operating is not right. They don't educate character," he argued Prince Charles, it is remem-bered, was educated at Gordon-stoun, a Scottish private school noted for its character forming.
His worries focused on the teaching of English.

A report Issued by the National Curriculum Council this month was much criticised and for being too academic.
The prince echoed these crit-

icisms. "All the nonsense these academics come up with," he interjected.

Prince Charles favoured a more traditional approach to the teaching of English. "I don't believe you can educate people properly unless you do it with a basic framework and a proper drilling sys-

The businessmen were urged to develop much closer links with schools by the prince, who later announced the cre-ation of a new organisation for that purpose.

#### US indicators fuel speculation

Continued from Page 1

durable goods orders, housing starts, consumer spending, and new car sales, which have all

new car sales, which have all pointed to a marked slowing in the pace of activity since the late winter.

However, the economic picture is not clearent since there has been a pick-up in the inflation rate this year, mainly, but not entirely, caused by a sharp rise in oil prices. Some of the Fed's regional presidents believe that a prolonged period believe that a prolonged period of restraint and low growth may be necessary to reduce inflation, though several of the Washington-based Fed gover-nors are more optimistic that inflationary pressures are not

Reflecting the administration's desire to avoid too tight a monetary policy. Mr Michael Darby, under secretary at Com-merce and a former Treasury official, said yesterday that recent indicators suggested moderation."

accelerating

# China recalls all ambassadors for meeting

By Robert Mauthner, Diplomatic Correspondent, in London

CHINA has recalled all its ambassadors for a special conference in Peking, probably to discoss how the country's international image, badly dameged by the bloody sup-pression of the students' prodemocracy movement by the authorities, can be repaired.
A spokesman at the Chinese

Embassy in Switzerland, while confirming that the ambassa-dors were heing recalled, declined to say exactly when the conference was taking place or for what purpose. However, western diplomats in Peking said it was scheduled for the first week of July.

Spokesmen at Chinese Embassies throughout the world went out of their way to stress that there was nothing out of the ordinary in ambassa-dors being recalled for consul-tations and that there was no connection with recent events in China, "It is part of our dip-lomatic practice," said an offi-cial at the Chinese Embassy in

The official pointed out that his ambassador, Ji Chaozhu, had already been in China since May 15 and was taking his holiday while back in his home country. Embassies in the Philip-

Austrau Turkey Egypt, Spain, Belgium, the Netherlands, West Germany, Greece, Bahrain, Poland, Italy and Qatar said that their ambassadors had either left already or would be returning to Peking very soon.

More than 20 Chinese diplo-

mats in foreign missions have reportedly asked for asylum following the military crackdown and arrest of an estimated 1,800 pro-democracy demonstrators in China at the

Pacific Rim initiative from a

First, it offers a forum for managing the increasingly impor-

tant bilateral relationship with Japan which Mr James Baker, US Secretary of State,

US Secretary of State, described this week as a "world power." For the Pacific

beginning of June.
Although China has accused the US, in particular, of inter-fering in its internal affairs by methods employed by the Chinese authorities and halting arms sales and all high-level contacts, Peking has, at the same time, emphasised that it wants to continue with its open-door policy towards for-

Western observers believe the ambassadorial conference will probably result in a reaf-firmation of that policy and concerted attempts to persuade Western governments to resume their aid and commercial contacts.

Confusion of fact and fiction,

# US takes plunge over Pacific Rim

Lionel Barber examines Washington's motives for increasing its involvement in economic co-operation among Far East nations

JUST as it seemed that the US was about to miss the boat, the Bush Administration signalled this week that it was prepared to join a Pacific Rim initiative aimed at increasing economic co-operation among countries

in the region.

The initiative is in part a response to the recent US-Canada free trade agreement and creation of e single European market by 1992. It is bound to increase fears that the world is breaking down into regional trade blocs at the expense of multilateral bodies such as the General Agreement on Trade and Tariffs.

Advocates of the Pacific Rim initiative such as Mr Bob Hawke, Australia's Prime Minister, are adament they do not bave a trade bloc in mind. "The countries in the region would not touch this with a 40ft pole," said Mr Hawke in

Washington this week. "[We] need to work for the success of an open multilateral trading

The Australians were quick to dispel reports that they are lukewarm about US membership of the group. The statistics show why: US trade with East Asia has doubled since 1982. In 1988, its trans-Pacific trade totalled \$271bn, far more than its transatlantic commerce which last year amounted to \$186bu. While eight of the US's top 20 export markets are now in the Pacific, the Americans, in the words of one East Asian diplomat, serve as the "import

basket for the region's dynamic developing countries such as Singapore, Thailand and South Korea. Their growth depends on the US maintaining open markets.
The US, of course, sees the

Rim initiative to encceed, Japan's financial might has to be offset by the US.
Second, the forum would offer the opportunity for Pacific Run members to speak racinc Rum members to speak with one voice on global negotiations such as the Uruguay Round of the Gatt, as well as providing an informal means of co-ordinating economic policy with bodies such as the Green of Server.

Group of Seven So much for the theory, what about the practical efforts to get the forum moving? The Bush administration is taking a broad approach. In his

speech to the Asia Society in New York, Mr Baker said the Pan-Pacific partnership should be a "multilateral mechanism" dealing with issues ranging from trade and economic affairs to environmental issues and cultural exchange. Mr Hawke is more specific. He envisages a forum for Australia, Japan and Ascan countries including Thailand and Singapore which woold restructure the region's economies, prise open markets and bolster the Pacific Rim's voice in the Universe Pacific

in the Uruguay Round.

The Asean meeting in Brunei next month will provide an opportunity for further discussion. Mr Baker has hinted at further "new thinking." Mr Hawke, who wants a ministerial level meeting in Monager rial level meeting by November, will be anxious to keep moving. The direction, how-

# UK to seek alternatives to Delors plan

ever, is now set.

Continued from Page 1

ing of her position at Madrid, will signal that the Treasury will start work immediately on different options. There were clear indications

at Westminster that her stance in Madrid had won the support of most of her own party. A motion congratulating Mrs Thatcher on her stance last night attracted the sup-port of both the "pro-European" wing of the party and of those associated with a stri-dent defence of British sover-cignty against encroachment

Despite signs that some Con-

servatives will be unhappy with the outcome, the motion was being promoted by senior party managers as evidence that Mrs Thatcher had acted to heal the rift which damaged the Government's performance in the recent European elec-

The Treasury studies, which are likely to receive contribu-tions from Mrs Thatcher's own policy unit and from the Bank of England, will focus in par-ticular on reducing the Com-munity control of national fiscal policies implied by the Delors report.

The second and third stages of that report suggest the eventual merging of the pow-ers of national central banks into a new European Central Bank System, the creation of a single currency and, crucially, the transfer to the EC council of ministers of control of mem-ber states' budgets.

However, Mr Nigel Lawson. the UK Chancellor of the Exchequer, will seek to draw up an alternative plan which would imply greater monetary co-operation but would leave national parliaments with control of their own spending

#### THE LEVICOFONY

# Lord Weinstock's second coming

The sharp drop in May's US leading indicators is a reminder that concerns are beginning to surface about recession rather than inflation. But any suggestion of further Fed easing is surely premature, and next week's US retail sales and inflation figures will give a far better clue to future Fed

GEC

GEC's stock market rehabilitation proceeds apace. Yester-day's full year figures confirmed that earnings per share have lifted off their long pla-teau, and saw pre-tax profits break their previous record of four years earlier. The shares responded by finally exceeding - by a narrow margin of 2p -the previous all-time high set before the crash.

The market seems out to per-suade itself that the earnings recovery is sustainable. Last year's 13 per cent rise, runs the argument, can be repeated this year through a benign combination of organic growth and the early effects of the joint ventures; while the margin improvements to be gained from such as the Alsthom venture should mean that the fol-

ture storing mean that the following year will be at least as good again.

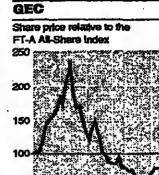
More fundamentally, the question is whether the shares are repeating a familiar pattern. Their atrocious performance since 1982 is partly the flip side of their astounding rise in the early years of the rise in the early years of the recession. The heart of the group still consists of defence. power generation and telecom-munications. Then as now, these are businesses on quite

different cycles from the econ-omy as a whole.

But there is one hig differ-ence this time. The huge new joint ventures could well accelerate the rate of growth, but they pose corresponding risks. They take GEC into new terri-They take GEC into new territory, and clearly as a last resort. Ever since the Plessey bid was announced, the shares have commanded a premium to the market; at 256p, they are on around 12 times this year's earnings. But while the market is increasingly keen on low-risk investment; the question is whether GEC still provides it.

Tokyo stocks

The Tokyo market must be beginning to think that a month is a long time in Japa-nese politics. Certainly, the month-long reign of Mr Sou-suke Uno has not been a par-



ticularly fruitful time for equi-ties; and every further step he takes towards the ignominy of resignation deepens the mar-

82 84 86 88 89

In itself, Mr Uno's career or lack of one - is of little or lack of one — is of little direct interest to equities. But the market appears to think that the image of a frolicking prime minister ill befits a party about to fight important city and parliamentary elections, and could well lead to significant losses for the ruling Liberal Democratic Party in both polls. There is no question of polls. There is no question of the elections unseating the Government altogether; and

given the current level of pessi-mism about their outcome, it seems scarcely likely that they will unseat the market either.

None the less, the weight of political foreboding has been heavy on the market for some time, and could well get heav-less wer Mr Uno would not be ier yet. Mr Uno would not be easy to replace as Prime Minis-ter; indeed, if there had been ample choice of candidates for ample choice of candidates for the job, he might never have been chosen in the first place. But at this stage, drift seems more likely than disaster. The large institutional outflows, which weakened both the yen-and equities earlier this month, seem to have been stemmed after the authorities made clear their displeasure. made clear their displeasure. Cartainly, funds have been fighting sky of equities since the Recruit scandal really began to claim its political toll; but they cannot do so forever.

Gateway

Through a combination of bad luck and misjudgement. Isosceles seems to have got itself into the same jam over Gateway as Mr John Fletcher did. Unable to match the oppo-sition in cash, it has to rely on its paper for the difference. The resulting problem is partly

that the market cannot check that the market cannot check the value placed on the stub-without access to the underly-ing assumptions. More funda-mentally, greater detail is now needed on the proposed retail-ing formula than Isosceles has yet shown itself willing to pro-

Wasserstein Perella's response is intelligible enough. Since another 5 per cent or so added to the Isosceles stake could settle matters, a holding statement had to be put out while a view is formed on what while a view is formed on what the institutions think the stub is really worth. If the result is another 5p or so on the Wasserstein Perella offer over the weekend, it may be assumed that the price has lost contact with reality. But it can also be assumed that Wasserstein Perella is playing a macho game. KKR having backed off, WP will be the more anxious to be the first US buyout house to will be the more anticons to see the first US buy-out house to-do a big deal in the UK. This is all perfectly splendid for Gata-way shareholders; whether it enhances the reputation of the buy-out movement is another

#### Daimler-Benz

The West German stock market responded remarkably well to the news that Daimler-Benz, the country's biggest company, was planning a 1 for 10 rights issue. The company does not need the cash, and even if it did there is nothing in its recent performance to justify asking its shareholders for more money. Its shares are trading 43 per cent below their trading 43 per cent below their 1966 peak, its earnings are fall-ing, and there are sufficient question marks about the group's long-term strategy to suggest that there are better ways to play the West German stock market than paying over 13 times prospective earnings for the privilege of owning Daimler shares. The significant underper-

The significant underper-formance of the shares this year has been largely due to the knowledge that another rights issue was on the cards. The market is hoping that it will be smaller than the DML3bn raised by Deutsche Bank earlier this year. How-ever, Daimler has never shown itself to be particularly sensiitself to be particularly sensi-tive to the feelings of the investment community. The West German stock market is still nearly a fifth below its May 1986 peak; and if Daimler turns out to be more greedy than expected, its cash raising excercise could easily puncture the recent strong rally in West German equities.

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**WORLD WEATHER** 

**SECTION III** 

# **FINANCIAL TIMES**



The view of 1997 has been permanently changed following Tiananmen Square. Thousands of people

says Dame Lydia Dunn, senior member of the Executive Coun-

cil, Hong Kong's mini-cabinet.
"But imagine the shock of the impact on me as a Chinese —

our hopes have been dashed."
"The community is still in a

factors. First, there was the sheer cruelty of the army crackdown. Second, the repres-

sion dashed almost cuphoric hopes of a more democratic era which had been raised by the

peaceful student demonstra-tions. The government's action

appeared to put at risk the past 10 years of liberalisation which

official parlance, "one country two systems" might work.

are starting the process of emigration and investment decisions have been postponed. Now the task is to rebuild confidence, writes John Elliott

# A new set of fears

The sharp angles of IM Pei's striking new 72-storey Bank of China building have taken over the skyline of Hong Kong island during the past year, piercing the clouds and provid-ing the greatest foretaste of China'a resumption of sover-

eignty in 1997. People in nearby buildings, ranging from private flats to the governor's house and the Hongkong and Shanghai Bank, have moved desks, pictures and mirrors to ward off evil spirits which, according to the superstitions of Chinese fung shui, will emanate from the building's triangular structure. But the building has demon-strated China's commitment to the colony and no one bas resented it.

The reality of Tiananmen Square has shocked the Hong Kong Chinese ont of this almost lethargic mood. No longer is it the risk of fung shat spirits casting evil on behalf of Polying that warries neonle-Peking that worries people-Now there is a real fear of crushing repression by China's People's Liberation Army some time in the future. The view of 1997 has been profoundly and permanently changed.

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"I know for foreigners the pictures on television every evening of the army crushing the students, and now of the



# HONG KONG

felt by leading businessmen.
Now they have turned into real
fears felt by the whole community, and this has bred a sense
of isolation and uncertainty.

these events and it is impossible to tell quite how long that shock will last or what its effect will be," says Sir David Wilson, the governor.

This has stemmed from two Thousands of people have started emigration moves that might swell the current brain drain of about 42,000-45,000 peo-ple a year. Investment deci-sions have been put off and people are anxiously watching Guangdong, the prosperous Chinese province adjacent to Hong Kong, where 2m or more Chinese worker's are employed by the colony's companies and where an estimated 20 per cent of Hong Kong's currency is openly in use.

had been making it possible to believe that a capitalist and increasingly democratic Hong Kong might be able to live inside communist China. In the The number of property deals in Hong Kong has slumped and prices are expected to fall. Spending in shops has declined, as have hotel bookings. Some forecasters suggest that Hong Kong's eco-Outil the crackdown, worries about 1997 were concentrated on the risk of Hong Kong decaying as an internationally important financial and trad-ing centre because of Communomic growth rate might fall from an expected 6 per cent this year to 45 per cent, possi-bly silding further to 34 per nist interference or bureau-cratic hassles. Such vague cent next year. - .

"Confidence is bad. It is not an easy time for any of us," says Mr Vincent Lo, a prominent young entrepreneur and convener of the right wing businessmen's Group of 89. He had cultivated close links with Peking and now, like many others, finds it difficult to others, finds it difficult to adjust. The economic foundations are strong but the emotional shock is large. It is a very difficult time," he says. This mood of unease will

continue and many business-men suggest that there may well not be time for confidence in China to be rebuilt before 1997. "Running Hong Kong will be exceedingly difficult till 1997. The community sentiment is such that it will just not be possible to tell them to trust China and believe in the future any more," says Mr Allen Lee, an industrialist who is the senior member of the Legislative Council. But this does not mean that

Hong Kong is set on a course of inevitable decline. In many ways the economy has shown more resilience than might

have been expected during such a severe China crisis, economic links and the pros-pect of 1997. After initial angry outbursts, China has also become relatively restrained in its criticism of the massive backing in terms of demonstrations, money and propaganda which Hong Kong gave the Tiananmen Square students. As one prominent businessman put it, Hong Kong was sure to be seen by Peking as a

Hong Kong's future depends, however, on China continuing to regard it primarily as a vital entrepôt and an economic window to the world. "China is not offering us one country two systems out of love for this population, but out of their own self interest — so they will want to keep Hong Kong's confidence going so that it remains of value to them,"

"counter revolutionary cen-

says Dame Lydia.

Now the Hong Kong government hopes that China will do more to boost confidence later

this year by agreeing to contro-versial demands for improvements in the draft Basic Law, or mini constitution, that will govern the territory after 1997. It will also want assurances about the Chinese army not being stationed in the centre of Hong Kong. If China resists these demands, which are now being drawn up in detail, there will be a further alump in con-fidence and wick of code! fidence and a risk of social

unrest.

In political terms, the government is also attempting to boost confidence (and quell a rising tide of anti-British feeling) by calling on the UK to organise pessports and a right of abode for the Hong Kong Chinese who make up 97 per cent of the 5.7m population. It is also pushing hard for international action on more than 45,000 Vietnamese boot people to whom it has given temporary refuge. on the economy, it is con-

tinuing to draw up confidence-boosting plans for major pro-jects, including a new airport and port, plus a cable televi-

CONTENTS

Editorial production: Photography: Ashley Ashwood

#### **KEY FACTS (1988)**

British colony reverts to Chinese sovereignty July 1 199
Population5.73m (97% ethnic Chinese
Totalet arrivale
Land area management and the second s
Population density
Currency
GDP per capita (current prices)HK\$74,917 (14.2% growth
Total exports
Powerle severe Life's 7 The Md \$5/, security
Domestic exports HK\$217.7bn (11.5% growth
Re-exports HK\$275.4bn (50.7% growth
Total imports
Labour force278m including
manufacturing837,00
wholesale, retail, export/import521,00
finance, reel estate, business services
holels and restaurants
Seasonally adjusted unemployment rate
Source: Hong Kong governmen

sion franchise which could lead later to a second telecom-

ne service. munications service.

There is a general mood of wanting to prove to the world — including China — that Hong Kong is still a stable, vibrant, and internationally-important regional centre. This mood should hold till around September or October when directions should become directions should become

That is the time when it seems most likely that talks with China could be formally resumed by Hong Kong and the UK on issues like the Basic Law. It is also the time when, after western summer vaca-tions, companies will be looking again at postponed investment decisions both in Hong Kong and China, and when the impact on Hong Kong's tourist and other indus-

Kong's tourist and other industries abould emerge.

If China appears calm; if its economic liberalisation is intact; if Guangdong is back to normal; and if Peking proves conciliatory on issues like the Basic Law and stationing the Basic Law and stationing the Barny, then Hong Kong's confidence could gradually build up again, investors and speculators will remember that there is more than time for another investment cycle before 1997 is more than time for another investment cycle before 1997 during which projects can be built up, sold soid soid again — and fortunes can be made. They will repeat the often-heard comment that it is just as well the Tiananmen Square crisis hit in 1989, not in 1992-93 when there would not have been time for another investment cycle.

ment cycle. But it will not take much to

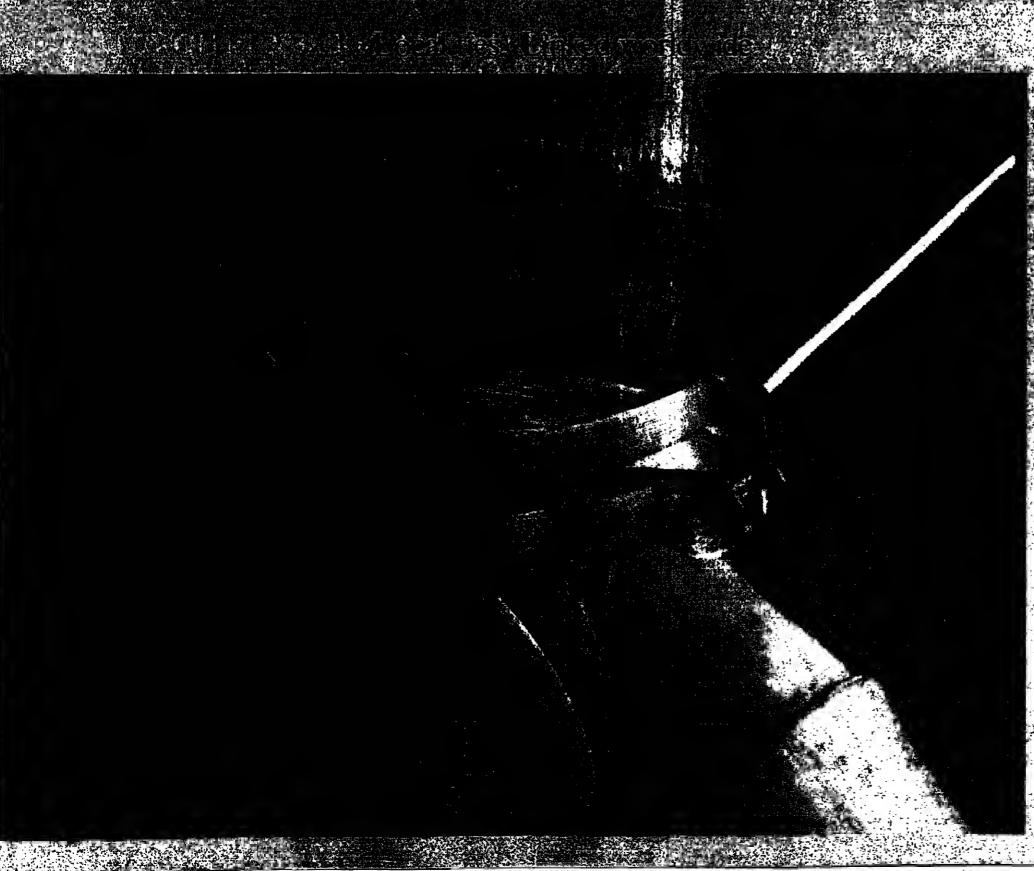
tip confidence down again, if things go wrong, because of the enormity of the recent shocks which affected different people in different ways. Older people who left China in the first wave of immigration from Shanghai around 1949 have seen harsh persecution before and have merely bad their total lack of trust in Peking, and their worst fears, con-

Those who left in the 1960s and 1970s, after the cultural revolution, were perhaps prepared to give the new Chinese leadership the benefit of the doubt — bot no longer. Younger people in their teens and early 20s, who had confi-dence about Hong Kong's post-1997 potential, have had their

dreams dashed.

"Peking wil not let democracy work here — two months ago I'd have said 'maybe' but not now," says Sam, an 18-year old Hong Kong Chinese student. He was one of a group discretization the desired and fifter the discussing the future after the China crisis. "Look at Tibet and you know we won't have and you know we won't have independence or freedom," said Anthony, a 17-year old born in China, "The People's Libera-tion Army will come to Hong Kong, and if it's not the army then they will send hard-line officials to interfere somehow or other."

The massive task facing Hong Kong, Peking and the UK is to overcome such fears in people of all ages so that, slowly, some of the old confi-dence can return and people can worry more about fung shui and think less about the





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John Elliott talks to Sir David Wilson, governor of Hong Kong

# Working with the grain of opinion

SIR DAVID WILSON, the British diplomat turned academic who is the governor of Hong Kong, intends to push China to agree that the pace of democratic development in the colony should be speeded up. But he does not put it so

colony should be speeded up.
But he does not put it so bluntly and that, according to his critics, is part of his problem. Since coming to the job in January 1987, he has often appeared bland and retiring.

Now, with Hong Kong facing serious problems in the wake of the China crisis, both Sir David and the British government are likely to be more robust — Sir David showed this recently by arguing for Hong Kong people to have British passports and by calling for action to solve the Vietnamese boat people problem.

"The Hong Kong community

"The Hong Kong community is still in a state of shock as a result of the events in China and it is impossible to tell quite how long that shock will-last or what its effect will be,"

The shock was caused by the horror of the Peking army crackdown at a time when China seemed to be set on a liberalising path that would help Hong Kong.

First, there is the demand

First, there is the demand for passports. Meeting that would answer people's "search for personal security". Next, there is a need to build democracy "to give a greater sense of

"What has happened in Peking has made people much more worried than ever before about their own future and safety." Sir David says. "Most people would like to stay in Hong Kong because they like it here, but in the wake of recent events they are looking for assurances about their future in terms of a right of entry to the UK if things go badly wrong."

He refuses to comment

directly on a warning issued by Dame Lydia Dunn, senior member of the Executive Council, Hong Kong's inner cabinet, that Britain would find Hong Kong difficult to administer if it refused to issue passports.

He does admit, however, that "the task of administration will be much easier if people do have assurances about their own future". The job of government had been made "harder

because the events have damaged confidence". The problems have also



Sir David Wilson: evolving style

brought an "interesting sense of unity" and the "beginnings of a consensus" between liberal and conservative wings on the question of how fast Hong Kong should move towards universal franchise for the election of the legislative council and the first 1997 chief executive.

"Our interest must be to take account of the new mood in Hong Kong and to persuade the Chinese that things need to be done in and for Hong Kong to try to reassure the people," Sir David says.

He points out that Peking drafters of the Basic Law had in the past been asking for a common Hong Kong view on the pace of change and adds. "In order to help recreate confidence, I would hope the drafters would very much take into account the sort of views which are developing here."

In Sir David's cautious style, these remarks mean that his government would consider accelerating the introduction of democracy in the 1991 elections and would push China to agree to parallel changes in the draft Basic Law for later polls. But Sir David is not showing

his hand on what he calls the "slope of change". He is not prepared to say whether the British and Hong Kong governments will try to force the pace by going ahead with 1991 direct elections before knowing what Peking will put in the Basic Law for 1997 and later.

"If opinion in Hong Kong is moving faster, then we would want to take account of that in how we develop the system between now and 1997," he says. "But we would also want to have arrangements which were to go on after 1997 — one does not want to build up something that will not go through."

Sir David passionately rebuts suggestions that the people'e new interest in political participation and democracy means that the British and Hong Kong governments were wrong to introduce only a slow pace of democratic development last year. Critics allege that the UK bowed to pressure from China.

"The philosophy we have followed is to work with the grain of opinion in Hong Kong — if things have changed we should now take account of the

changes," Sir David says. "I will never admit to the thesis that we have not been robust. We choose what to say [to China] in public and what in private, in order to get across our points."

Sir David rejects suggestions that the 1997 handover of sovereignty should be cancelled. "It's a nonsense because we are constrained by history and our right of administration for most of Hong Kong ends in 1997," he says. "None of us can simply wipe out the date 1997." To suggestions that the Sino-British Joint Declaration

should be torn up, he says: "I don't think it would make sense because you would he left with nothing and the treaty itself is very good, given all the historical circumstances. What is now needed is an immense amount of effort by Hong Kong, Britain and China to make sure it works in prectice and that people believe it is going to work in practice. There are no viable alternatives."

But can people trust China now? "People's confidence in China has been very badly shaken and I hope the Chinese government will take measures to try to restore that confidence — the somer that happens the better. And if you try to stand back from our present state of shock, you can say quite correctly that China has a good reputation for keeping international agreements."

But as a Chinese scholar, has Sir David's view of the country changed? "I didn't expect such an indiscriminate degree of violence. But it doesn't totally overthrow my view of China because the element of repressiveness has always been there, and the fear of chaos has always been a strong thread going through the Chinese leadership—accelerated by the cultural rev-

olution.

"Now they have, as seen by most of us outside China, over-reacted to the problem that they faced, but one notices this thread of the fear of confusion running through the Chinese leadership for generations."

sims."

Sir David has been outspoken about the problems of the Vietnamese boat people, and he acknowledges that the vast majority of Hong Kong's population are against admitting the would-be refugees.

the would-be refugees.

If Hong Kong carried out its recent threat to end its role as a place of first asylum, "the majority of the population would want the boat people dissuaded from coming — that would be harsh because if people had nowhere else to go, you could face them sinking their boats in front of you."

Liberal sentiments such as these have little support among the population. Sir David acknowledges this creates a problem for his colonial government. "It is very difficult for any government to go on pursuing a policy which is strongly disliked by a large proportion of the population — that is one of the things we have been trying to explain to the international community."

Returning to his personal style, Sir David emphasises the need for a governor to leave room for local politicians and senior civil servants to develop their roles. But should he change his style to help hoost Hong Kong's morale? "My style is one which I hope evolves to meet whatever the needs of the circumstances are," he says — which basically means he does not see why he should.

TOWARDS 1997

# A new consciousness

HONG KONG has been shaken out of its political lethargy by the recent events in China. People have suddenly become concerned about the real implications of the return to Chinese sovereignty and even about some aspects of the Basic Law, or mini-constitution, which will govern Hong Kong after June 30, 1989.

Basic Law, or mini-constitution, which will govern Hong
Kong after June 30, 1988.

In the past, there has been
no tradition of political activity
in Hong Kong. As a British colony, it has been administered
by civil servants and a governor, with some cautiously
selected senior community figures sitting on basically advisory councils — an exacutive
council, or mini-cabinet, and a
legislative council
Indirect elections to the Legislative Council started in 1965

islative Council started in 1965 but there has been little real political activity. Attempts to start political activity. Attempts to start political parties and alliances have not gone well, partly because of a lack of political sophistication among the participants and partly because Hong Kong Chinese are more interested in making money and building personal et vast lective activities.

lective activities.

There is also a serious lack of top political leadership. This became evident during the recent crisis when neither the governor, Sir David Wilson, nor the chief secretary, Sir David Ford, nor any other prominent public figure emerged to lead public opinion as several hundred thousand people took to the streets in

protest against Peking.

Nevertheless, there is a new political consciousness. This means that Hong Kong will be going through a period of untidy political development in the next few years. Different personalities and factions will emerge and try to mark out claims for public leadership as the colony moves towards 1997.

The enthusiasm of many of

The enthusiasm of many of the participants, however, will be tempered by a fear that one day after 1997 Peking might try to purge people who have spoken out against its policies and actions.

Efforts to form political parties have not succeeded so far. Mr Stephen Cheong, a member of the Legislative Council, has shelved his plans partly, he says, because the "intelligentsia and middle classes" who would form the bedrock are diverted by thoughts of immigration. An alliance formed by Mr TS Lo, a prominent lawyer and public figure, lacks direction. A third party to represent the "middle ground" is now being mosted by Mr Jimmy McGregor, a former senior civil servant who is the industrialists'

Other parties could emerge led by people such as Mr Martin Lee, the prominent liberal lawyer and democracy cam-

member of the Legislative

But the main priority in Hong Kong now is to boost confidence. The first aim is to try to persuade the British Government to issue full UK passports in order to stem the brain drain.

The second aim will be to try

The second aim will be to try to strengthen the Basic Law, the second draft of which emerged from Peking last February, so that the new Special Administrative Region of Hong Kong can maintain the "high degree of autonomy" after 1997, as promised in the 1984 Sino-British Joint Declaration.

There is no significant sup-

There is no significant support for trying to change the 1997 handover date or for renegotiating the Joint Declaration. Talks in a Sino-British Joint Liaison Group, which is handling practical issues connected with 1997, have stopped because the UK has unitaterally postgoned a formal meeting. The most likely provisional date for a new meeting is September or October.

is September or October.

Work on the final draft of the Basic Law, which Peking was to have produced in its final form by the end of the year, has also been delayed. There have been some resignations from drafting and consultative committees in Hong Kong, which has also temporarily stopped the formal consultative process.

The government and various interest groups in Hong Kong are drawing up detailed lists of points they want strengthened when consultations restart.

First, there will be a general move to speed up the introduction of universal suffrage because many conservative businessmen have begun to revise their opposition. "With the participation of

revise their opposition.

"With the participation of the Hong Kong people in the recent weeks' activity, there is no need to hold back democracy," says Mr Vincent Lo, convenor of the businessmen's Group of 38.

There is a consermon grow-

ing for half the Legislative Council to be directly elected in 1995, with the other 50 per cent being indirectly elected through existing special interest groups. Everyone would be directly elected by 2003, along with the region's chief execu-

est groups, sveryate worm of directly elected by 2003, along with the region's chief exemitive.

This is dramatically different from earlier heavily qualified ideas which stretched to 2012.

Whether the conservative basiness lobby will eventually accept this remains to be seen. If the new dates do get general support, the percentage of directly elected seats in the 1991 legislative assembly elections will have to be increased.

by the existing Hong Kong government, possibly being donbled from 10 to 20 seats.

Other Basic Law plans include: opposing the idea of a large People's Liberation Army contingent being stationed in Hong Kong; switching the right to declare martial law from Peking to Hong Kong; strengthening human rights with a Bill of Rights to be passed by the existing Hong Kong government; and strengthening clauses connected with the independence of Hong Kong's powers to introduce and adjudicate its

own laws.

Hong Kong hopes China will extend the consultative period which should end within the

China will also come under pressure from the UK and flong Kong to accept all the major changes being mooted in its final draft. This could prove controversial because, up to now, China has only been prepared to listen informally and privately to the views of the UK and Hong Kong, whose governments are now likely to want to speak out more publicity.

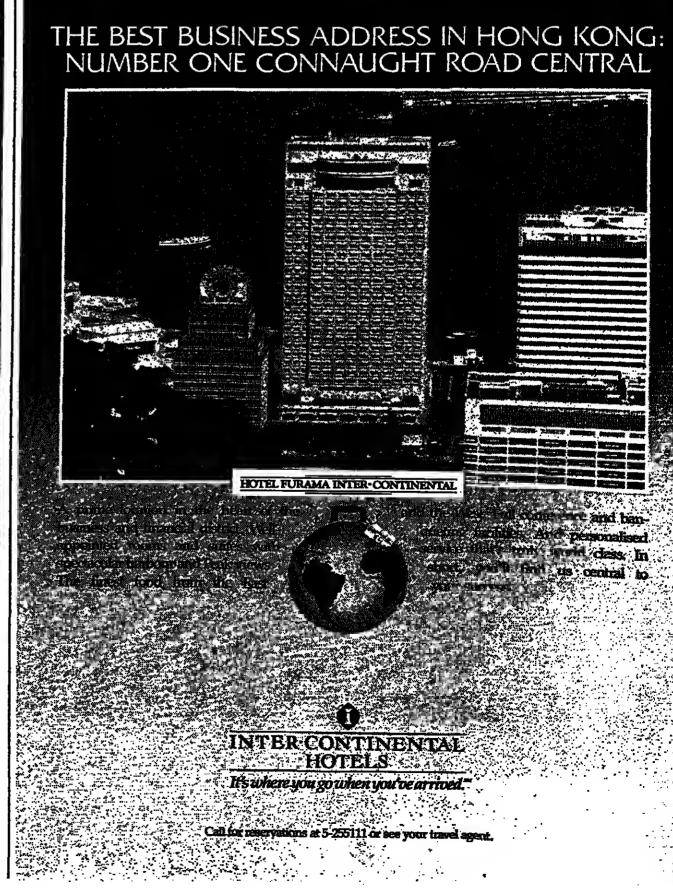
"The drafting of the Basic Law is not only for the Cirinese," says Dame Lydia Dunn, senior mamber of the Executive Council, illustrating a new tough line. The prunnigation of the law is for the Chinese but the British government has a responsibility and a right to make sure that the law implements the Joint Declaration.

"So the British Government

ments the Joint Declaration.
"So the British Government must assert itself a tot more and quite openly so that the community knows the UK is standing up for its obliga-

John Elliott





Prospects for the various ethnic groups are examined here and on the next page

Lucy Kellaway looks at the brain drain

# Foreign passports provide insurance

sovereignly over the landmass of Hong Kong Island, Kowloon and the New Territories, plus the surrounding territorial waters. But that does not necessarily mean it has an automatic claim on the people or their wealth — the people or their wealth - the people mostly being refugees from earlier harsh Chinese regimes who have built the colony into one of the world's great

economic success stories. This twist to the 1997 changeover is being heard more often in the colony following the Chinese army crackdown: people are searching for ways to ensure that they have a bolt-hole overseas in case of trouble. The lack of trust in Chinese people to seek the insurance of foreign passports. A significant number of companies have, for some time, also been moving their legal domicile while

LEAST OF THE PROPERTY OF THE PROPERTY OF THE PARTY OF THE

HONG KONG'S POPULATION

Chinese (eligible for BDTC pessports) 3.24m Chinese (Hong Kong Certificate of Identity) 2.32m
Indians and Eurasians
Gweilos - white expatriates
Other expatriates:
Thais12.000
Malays
Japanese11,000
Portuguese 8,000
Filipinos 50,000
Total Population5.73m
Abelianon illeninghistremist

However, it is impractical to believe that all the 5.7m population can — or would even wish - to leave. There is no chance, therefore, of China inheriting only a concrete jungle version of the "barren island" as Hong Kong was characterised by Lord Palmerston more than 150 years ago when the British arrived.

CHINESE

#### Working hard, making money round the streets in baggy

AS A visitor flies into Hong Kong's Kai Tak airport, the plane swings past gigantic estates of white tower blocks of flats, then levels off above slum tenements of Kowloon before skimming across squalid roof-tops and landing on one of the world's most

crowded runways.
The impression gleaned through the plane windows is of masses of poor people huddled together in almost inhumanly overcrowded and poverty-stricken conditions. This is mistaken. There are, of course, the appaling slums of Kow-loon's Walled City, soon to be demolished, and there is some poverty in numerous shanty towns and back streets.

But those awe-inspiring blocks of flats are mostly popu-lated by relatively well-off peo-ple, including some Chuppies — as the local version of Yuppies are called. Most live in cramped flats of only 200-400 square feet, but 43 per cent of the population is in govern-ment-owned accommodation where there is a rent ceiling of 15 per cent of household

income.

A significant number have even to have holidays in China, Tealland or the Philippines, plus enough, perhaps, to educate their children abroad.

These people make up a These people make the a large part of prosperous Hong Kong'a hard-working Chinese population of 5.5m. Most of them, or their families, were originally refugees from China: a series of imadgration waves started in 1949 and there was further immigration in the early 1960s and the 1970s until entry rules were tightened in

1981. Like all migrant populations their ethic is to work hard and make money, irrespective of discomfort. Hong Kong's aver-age per capita income is US\$3,600 – Asia's second high-

est efter Japan. Even some of the old men and women seen hobbling

plus Vietnamese bost people

That is why a major controversy has built up over whether Britain should issue full passports to some or all of the Chinese who make up more than 97 per cent of the population, plus about 11,500 Indians and Eurasians. (The other minorities of Filipino maids, Vietnamese boat people, and other foreigners total only about 200,000 and have their own countries'

the issue has been sharpened by Portugal making European Community passports available to 90,000-130,000 Chinese people in its enclave of Macao, 40 miles from Hong Kong, which returns to China in 1999.

assports). The issue has been

The Hong Kong passport problem stems from a series

of British immigration laws introduced since 1962 which have whittled down the rights of people from the British Commonwealth to settle in onwealth to settle in

There are 3.24m Chinese peopla who have a right to what is called a British Dependent Territories
Citizens' passport — although
about only im have been
issued. Most are entitled to their passport by reason of birth in Hong Kong, though there are some naturalised people as well. To mark the 1997 changeover, these passports are now being replaced, with China's agreement, by travel agreement, by travel documents called British

People are trying to ensure that they have a bolt-hole

National (Overseas) passports. The other 2.32m Chinese are immigrants from China who have not applied for naturalisation. Some came legally, some illegally, but they are now officially settled in Hong Kong and travel on a Certificate of Identification which, to the rest of the world, means they are of uncertain identity unless they have kept Chinese passports.

Neither group has a right of abode in the UK. After 1997 they will not have British consular protection because under China's laws, having been born in China or Hong Kong, they are ethnic Chinese and are, therefore, Chinese nationals. In these

circumstances, the various passports and identification papers are only travel documents and nothing more. That is why there is an

accelerating brain drain of people going abroad to gain a foreign passport. Ideally, the 3.24m would like to be entitled to a British passport because that would provide British consular protection at a time of crisis. They would at a time of crists. They would also be able to leave Hong Kong without any problem and live, even if only temporarily, in the UK while they organise a new life. Hong Kong wants the UK to encourage Commonwealth and other foreign countries to give similar facilities, including a right of abode, to the other

A British passport would give people the confidence to continue living in Hong Kong until the time of any crisis. Otherwise, they have to seek one in countries such as Australia, Canada or the US.

# Flow of resignations

THIS YEAR'S favourite theme for Cantonese soap opera concerns a young family divided. The mother and children have emigrated to Canada, the father remains in Hong Kong to make a few more dollars before joining them. One or other side meets someone else.

Can the family stay together?
This is the light side to the "brain drain". The heavier side touches every aspect of Hong Kong life: from the long struggle for a passport, the angst of leaving home for a worse lifes-tyle elsewhere, to the despair of those who find no other country will take them.

Since the massacre of stu-dents in China, the rush of Hong Kong people to get a for-eign passport has increased dramatically and, with it, bit-terness about the British refusal to give full passports to 3.2m subjects. The foreign consulates in

Hong Kong have been besieged with applications: earlier this year the Australian consulate was receiving 80 enquiries a day; at the height of the ten-sion that number touched 1,700. Despite the greater numbers wanting foreign passports, the numbers leaving may not increase very quickly.

The official government estimates the statement of the stateme

mate - carried out before the latest unrest in China - is that the exodus would stabilise at 42,000 people a year, down from 45,000 last year. The forecast has now been increased to 50,000 for next year, although it

could be closer to 60,000. The outcome depends on the attitude of the receiving countries, and the three most important – the US, Canada and Australia - are either close to quotas already.

The lucky ones are those

with close relations abroad, with a lot of money, or in pro-fessions that are in demand. However, as the numbers increased, so these professional categories have been tightened. Last year there was a rush of top secretaries to Canada, mostly young women with children whose futures they wished to protect. Canada, now replete with Chinese-speaking secretaries, gives higher priority to librarians and psycholo-

gists.

The raising of standards and the length of the queue – anything from 3 months to 10 years and getting longer all the time — has forced potential emigrants to look to other countries. So far, Singapore has proved the most popular. Although it has a brain drain of its own, the language and culture are sympathetic and visas are available to anyone with tertiary education. Other countries, such as New Zealand and even Belize and Mauritius, are also seeing a sharp increase in the number of

applicants.
The hrain drain is imposing heavy economic and social strains on Hong Kong. All employers are having to cope with a steady flow of resignations among young professionals, and the larger ones are

devising new ways of keeping

For international companies the problem is perhaps easiest: many are rotating their employees through foreigo offices. While some of the French hanks are promising French passports in order to keep their Hong Kong-based staff. Others are forced to fill vacancies with foreigners.
"The hrain drain has spoilt our policy of trying to appoint local people into top positions," says Mr George Cardona of Hongkong Bank.

Emigratioo is also draining the country of its entrepre-neurs. Both Canada and Australia are willing to grant visas to husinessmen with capital of about Aus\$650,000 (£318,000) and in the past year more than 5,000 rich locals have left.

There are some signs that emigrants, having obtained their passports, are coming back. Anecdotal evidence sug-gests, however, that most of these people plan to stay hriefly in order to make some more money before returning

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the foreign countries would At the top end of the popula-tion are massively rich tycoons like Mr Li Ka-shing and Sir YK Pao. Along with many more, they have world-wide interests which they are expanding, and they could instantly arrange to live wherever they wanted in

can all manage to go abroad to find foreign passports, even if they all wanted to and even if

cessful speculators on the local stock or property markets.

Government salaries are good enough for a married couple, both working, to have been known to save sufficient (possi-

bly with the help of their fami-lies) to pay the £150,000 needed to obtain a right of abode in

The vast proportion of peo-ple are well enough off and suf-ficiently enterprising to make their own way - wherever they might end up if 1997 were to prove unbearable. This does not mean, bowever, that they

time of crisis.

There are also a few thousand specially privileged senior civil servants who have been the Hong Kong government. They would be guaranteed instant admission and right of abode in the UK if they had to

abode in the UK if they had to leave. These people have pledged that they will work in Hong Kong until the end of their careers, or until there is any trouble.

For example, police and other security officers who have handled sensitive cases, especially during riots in the 1960s, could easily find themselves targets for revenge after 1997, as could many others.

These controversial special

These controversial special arrangements for government employees underline the one fact that unites all the Chinese in Hong Kong: none of them trusts Peking and they have no confidence about what will happen after 1997.

#### **INDIANS**

## Traders in a trading centre

SIKH HOTEL doormen with black and white turbans and black boots; scruffler Sikhs lounging against bank doors clutching ancient rifles these are the instantly visible signs of one of Hong Kong's smaller ethnic communities, the Indians and Pakistanis.

Inside the hotels, banks and office buildings of the Central financial district there are rich Indian traders with names like Rutonjee, Murjani, Harilela and Chelloram. Across the harbour in Kowloon are hordes of small basaar stells and restau-

rants plus myriads of tailors.
All these people face uncertainty after 1997 because, unlike the Hong Kong Chinese, they do not have an option to taka Chinese citizenship although they can stay as residents like anyone else. Some have the limited British Dependent Territories Citizens' pass-

port, while others still have Indian nationality.

"The big families will want to stay because this is a trading centre and we are traders," says Mr Hari Harilela, president of the Council of Hong Kong'a Indian Associations. "The poorer ones with their bazaar stalls will stay till they lose money, then maybe go back to India. But those who want British passports do not necessarily want to live permanently in the UK — they would far prefer to go to the US or Canada." The rich could also qualify, as non-resident Indi-

ans, for a right of abode in India by investing there. Mr Harilela estimates that in Hong Kong there are about 16,000 Indians and Pakistanis the distinction between the two nationalities is hiurred because many families arrived long before the 1947 partition of India.

The majority are part of the internationally-known Hindu trading community of Sindhis who come from a desert area north of Karachi and west of Bombay adjacent to the Indian state of Rajasthan. In Hong Kong their business tactics are often criticised and disliked by

the Chinese. Of tha total, about 10,000 (8,000 Indians and 2,000 Pakistanis) are thought to have Indian passports, so could go back to India. The group which is causing more concern, and which has been pushing for special British passport treat-ment, is made up of the remaining 6,500 who quality for British Dependent Territories

Citizens passports.

Mr Harfiela's association is lobbying for a total of about 11,000 people which includes this 6,500 plus 2,000 Portugese and Mecanese and 2,500 Eur-asians, Indonesians, Malay-sians and other similar small minorities. All have the BTDC passport problem and resent the fact that they are not being better looked after.



**HONG KONG** 

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#### **GWEILOS**

# **Brain drain benefits** the foreign devils

IT IS one of the ironles of the ish colonial rule in Hong Kong that the size of the expatriate community here is on the increase. There has been an influx of new arrivals to fill the vacuum created by the brain drain within the local Chinese professional class

professional classes.

White expatriates are known locally as gwellos, iterally foreign devils. The term is used for all non-Chinese foreigners that has been adopted by Europeans as their own label. Most are from Britain, North America or Australia, with smaller numbers from continental Europe. New Zealand and Europe, New Zealand and South Africa — all of whom, of course, have passports for their

home countries Official Hong Kong immigration department statistics for the various communities are difficult to interpret: even though most Chinese families return on their Hong Kong passports, some can use their new travel documents when

entering the territory. The Canadian consulate has made a rough guess that there could be around 30,000 Cana-dian passport holders in the colony, mostly people origi-nally from Hong Kong. The Hong Kong immigration department lists 10,800 Canadians, but even this number could include many local Chi-nese as well as Canadian expa-

The same sort of problem applies to the 10,400 figure for Australians, while the 8,500 Portuguese are likely to almost all be locals born in Macao who have taken the opportunity to get Portuguese citizenship.
The United States provides

the biggest single community, numbering 18,100 at present, in testimony to their powerful business presence in Hong Kong. This number, however, also includes many locals with newly-acquired American citi-

The British presence is listed as 14,700 strong, well down from 19,000 five years ago,

People are reluctant to give up the lifestyle, with its clubs, yachting and junk trips, luxury flats and swimming

pools, and active

social circuit

partly because of lower num-bers in the civil service and the police as a result of Hong Kong Chinese progressively taking over public sector jobs. The 2,100 British soldiers who man the territory's garrison are counted separately. Other com-munities include the Japanese. Thais and Malays, with around 10,000-11,000 each.

Because they already have other passports the gwellos can afford to adopt a wait and see attitude towards 1997, unlike the locals. In the meantime, they are reluctant to give up the Hong Kong lifestyle, with its clubs, weekend yachting and junk trips, luxury flats and swimming pools, and active

social circuit.
The majority are on contract terms, serving as middle and senior level executives in the financial sector and numerous trading companies, law and accountancy firms. Many work for multinationals which will eventually post them else-

where. Young gweilos in their 20s are concentrated in the stockbroking sector - they come for a few years of high living and useful work experiaddition to these

In addition to these short-term people there is also a solid core of long-term residents, many of whom have spent most of their lives in Hong Kong and regard it as home, even though most will retire elsewhere to places like Spain and Partural Spain and Portugal.

For the long-term residents there is naturally some concern about the future, particularly among civil servants larly among civil servants whose career prospects have been dimmed by the localisation policy. However, according to Mr Duncan McInness, president of the Association of Expatriate Civil Servants, the government — which pays high salaries compared to the UK, is still recruiting staff from overseas to offset the brain drain.

brain drain. So, providing the brain drain continues and the economy remains buoyant, and assum ing there is no npsurge in anti-European sentiment during the run-up to the handover to China, Hong Kong's expatriate community is likely to remain in place and even grow.



The boat people mostly live in a mixture of cramped open camps and tough detention centres

#### **BOAT PEOPLE**

# Group with the most precarious future

THE NUMBER of Vietnamese boat people in Hong Kong is now slightly more than the total number of Filipino maids - around 45,000-50,000 - making them Hong Kong's largest single ethnic group after the

But, unlike the Filipinos, who are willingly and legally imported by employers, the boat people are unwelcome res-

idents who are resented by the idents who are resented by the Chinese population.
China has said all the boat people must leave by 1997 — presumably either by being repatriated to Vistnam or resettled in the West. Officials have said privately that those

have said privately that those left will be thrown out. So, of all Hong Kong's ethnic groups, these people have, perhaps, the most precarious future.

They mostly live in a mix-ture of cramped open camps and tough detention centres. Recently, a heavy flood of new arrivals meant that Hong Kong ran out of covered accommodation and housed newcomers in

the open air.
The first ones arrived in May 1975 in a batch of 3,700. This built up slowly to a total of 66,000 in the first seven months

of 1979 when Hong Kong was dubbed a country of first asy-lum. Under local pressure, Hong Kong decided in 1982 to put them in closed camps. It further tightened its policy in June 1988 when it said that all new arrivals would no local Originally, the boat people were fleeing from a war-torn

all new arrivals would no longer be accepted automatically as refugees deserving resettlement in the West Instead, it would regard them as economic migrants and, therefore, illegal immigrants who would qualify for repatriation to Vietnam unless they provad in a screening process that they were genuine political refugees. The move was intended to deter new arrivals, but it to deter new arrivals, but it falled because over 30,000 have arrived since last June. This number is twice the total of just over 14,000 recognised ref-ugees who arrived before June last year and are still in the

About only 10 per cent of those so far screened have proved themselves to be genu-ine political refugees but pts at voluntary repatriation for the rest have made

only a slow start.

Following a recent international conference in Geneva.

Hong Kong wants to repatriate all those now dubbed illegal immigrants, voluntarily or forcibly, to Vietnam. The rest would be resettled in the West.

Originally, the host people

#### China has sald all the boat people must leave by 1997

and poverty-stricken country with a harsh Communist regime. The situation in Viet-num is changing and there is less international sympathy. In Hong Kong there is particular resented because the hoat peo-ple are taken in and housed by the government. Meanwhile, illegal immigrants from China - who often have local connections - are immediately repatriated.

John Elliot

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#### **FILIPINOS**

# Graduate maids teach the children English

RACH SUNDAY Hong Kong's Central financial district plays host to an outdoor gathering, with roads closed to traffic and thousands of people sitting out on the pavements picnicking,

listening to music and chat- nese population does not ting.
But the language to be heard is Tagalog and not Cantonese, and the scene is more reminis-

and the scene is more reminiscent of downtown Manila than Hong Kong, as a good proportion of the colony'e 45,000 Filipina mades enjoy their day off after a week of washing, cooking and looking after the children of Hong Kong's rich.

At the start of the decade there were only a few thousand Filipina domestics, most of whom speak fluent English, in the territory. This had surged to 31,000 by 1986 and is now heading towards the 50,000 with a minimum monthly wage of HK\$2,500, return air-

'Filipinos have always gone abroad to work - there is a long history of migration'

mark, with the 5,000 new recruits each year reflecting Hong Kong's booming econ-ony and increasing affluence. "Filipinos have always gone abroad to work — there is a long history of migration," said Miss Elizabeth Buensuceso, consul at the Philippine Consulate General in Hong Kong. She points to large numbers in the Middle Beat and Engage. the Middle East and Europe in particular Italy - as well as

around south-east Asia.
According to Miss Buensu-According to Miss Buensu-ceso, about 90 per cent of the employers in Hong Kong are Chineset they see the teaching of English to their children as an important task in addition to the normal household chores. However, the local Chi-

always make the Filipinas feel very welcome, and the post-1997 future of the community will depend partly npon the immigration policy of the first special administrative region

tracts are valid for two years, with a minimum monthly wage of HE\$2,500, return airwage of HK\$2,500, return airfare, one day off per week plus a number of statutory holidays. This compares to wages of only 2,000 to 3,000 peacs (or HK\$720-1,080) per month back in the Philippines in occupations such as teaching. This explains why many Filipina maids working in Hong Kong are well qualified and include some graduates.

Many maids stay in Hong Kong far longer than two

Kong far longer than two years, either by renewing their contract with the same employer or transfering to another when their contract expires. However, they are still required to obtain a fresh visa stamp in their passports every

six months. These temporary workers have become a permanent fix-ture in Hong Kong and, as long as the economy continues to grow, more Filipinas are likely to continue arriving - domes tic help has become an accepted part of the lifestyle of

Michael Marray

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On this page, John Elliott and Michael Marray profile the leading candidates for the job of chief executive in 1997

## he search for a colossus

ON JULY 1 1997 the British governor of Hong Kong will be replaced by a chief executive. This top official in the new Special Administrative Region will

have the primary responsibility for conducting relations with Peking and along with a legislative council, for ensuring that the new region enjoys the "high degree of autonomy" laid down in the 1984 Sino British Joint Declaration. A common pattern is for

A common pattern is for leading politicians and, administrators to emerge as a country approaches the end of colonial rule. Hong Kong, however, is not achieving independence; significant political leaders have yet to develop and there is a yacuum at the top.

This state of affairs is partly because the UK and Hong Kong governments have done little to encourage the

development of democracy (although this is now changing) and, in the past, have even slowed the proce down in accordance with

With 1997 looming, few people have wanted to adopt a high-profile political role and risk conflict with Peking. The second draft of the Basic Law says that the chief executive "shall be a Chinese citizen of no less than 40 years

citizen of no less than 40 years of age who is a permanent resident of the region and has ordinarily resided in Hong Kong for a continuous period of 20 years. The person must be one of "misgrity, dedicated to his/her duties".

The draft law says that the government, signing and implementing logislation; deciding government policies; issuing executive orders; appointing and dismissing public officials; handling

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in running Hong Kong under the British could be a disadvantage. But he has, at least until the past few weeks, been

carefully cultivating his links with the mainland. At present he is a front runner if China

external relations; and deciding on echnical pardons. How the first chief executive will be chosen is still a matter of intense political debate. Liberal campaigners want election by universal suffrage to underpin the independence of the post from Peking.
Till the Chinese sumy

crackdown, the majority view in Hong Kong accepted a Paking influenced electoral Paking influenced electoral college to choose the first one or two incumbents. The idea was to ensure that they were acceptable to the Chinese government and so would not cause unnecessary and destabilising friction.

This view has now changed and the importance of primary acceptability to the Hong Kong become is being stressed, with full direct elections starting not later than 2003.

There are no ideal

here are no ideal. Ildates yet in line for the There are no 1

acceptable to the Hong Kong people and, following the recent Chinese crisis, must not have any divided loyalties with Peking. At the same time. however, he or she must be acceptable to Peking. How this potentially wide gulf can be straddled is not yet clear.

The profiles here cover some of the people currently most often talked about. They are all involved in Hong Kong's political development and will almost certainly still be around in 1997, Other candidates, including senior civil servants, will emerge

notably Dame Lydia Duna, senior member of the Executive Council, are excluded because they are identified too closely, either personally or professionally, with the British.



#### David Li

DAVID II, or Li Kwok-Po, head of the Bank of East Asia, is a 50-year-old Cambridge-ed-neated banker from one of Hong Kong's oldest and best-known families.

Mr Li has combined the militely twin roles of major player in the business commuplayer in the business commu-nity and vocal critic of the

government. This is Illustrated by his repeated calls for an adjustment to Hong Kong's currency link to the US dollar. His natural outspokenness even extended as far as his own family when he criticised his uncle, Mr Ronald Li, for the way he ran the Hong Kong Stock Exchange. This was well before the 1967 world market

crash brought allegations of corruption out into the open.
"Although we haven't got a democratic government they at least listen to the people," he says of the current British administration. Mr Li wants am early move towards greater democracy in Hong Kong, though he sees the lack of a political tradition, and conse-quent lack of potential home-grown political leadership, as a problem which has yet to be

We like the standard of the likely post-1997 chief executive, especially given his condial links with China built up as a result of the Bank of East Asia's heavy involvement across the border.

Does he see himself as a can

Does he see himself as a candidate? "I'm mure interested in running the bank," comes the reply. However, the London-born Mr Li adds that he has no intention of leaving Hong Kong. Despite an easy affinity with British people, Mr li is also seen by Hong Kong Chinese as a representative of the local community, and between now and 1997 his outspokenness is sure to keep him in the limelight.



Vincent Lo

VINCENT LO, or Lo Hong Sai, is one of Hong Kong's most successful new generation of entrepreneurs. One of four sons of YS Lo who came to Hong Kong from Guangdong in the 1930s and founded the Great Engle property empire, Mr Lo runs Shui On, one of the fastest-growing property and

construction groups.

Mr Lo hit the headlines late last year when he sold his Shul On office centre for a record HK\$2.5bm to a buyer with mainland China backing. The buyer defaulted and the deal collapsed, but not before it had dramatically boosted Hong Kong's property and stock markets.

A smartly-dressed 41-yearold. Mr Lo has emerged on the political scene as convener of the Group of 89, a right-wing the Group of 88, a right-wing businessman's lobby with strong Peking links. Formed to influence the debute on the Basic Law, this group has opposed rapid democratic development, but is now changing its line.

"We were very impressed by Hong Kong people's participa-tion in the recent demonstra-tions. If they are prepared to

tions. If they are prepared to be involved we don't mind fas-ter development of democracy," he says. But Hong Kong must ensure that Peking con-tinues to see it as a useful aco-nomic and financial window on the world, not just as a centre of hostile demonstra-

Highly thought of by top Hong Kong government offi-cials, Mr Lo has strong main-land business and other con-nections. Now he is learning about the world of politics. Other similar people could well emerge in the next few years but, at present, he is a prominent candidate to be the chief executive, even if he is rather young for 1997. Highly thought of by top rather young for 1997.

#### **John Chan**

JOHN CHAN, or Chan Cho-chak, is one of Hong Kong's highest-flying senior civil servants and would have been a strong candidate for the chief secretary's job if British rule had continued. He could yet take over the job-from Sir David Ford, the pres-ent incumbent, before 1997.

Mr Chan, aged 46, has recently become secretary for trade and industry, a posting designed to broaden his experience after two years as deputy chief secretary where he was closely involved in designing Hong Kong's slow moves

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wards democracy. At least up until the time of 61 ( 2) s the Tienammen Square massa-cre, he firmly believed in co-operating with China and said that the first chief executive

had to be acceptable to Peking's leaders. "The more comfortable they feel, the less likely they are to feel, the less likely they are to interfere and the better it is for Hong Kong," he says. After the army crackdown he qualified this by saying that the person "must first be acceptable to and have the support of the people of Hong Kong—only them can there be confidence in his deallness with

dence in his dealings with A short rotund pipe snoker, Mr Chen is an ambitious and cautious man who checks the background of people he meets and says no more than is absolutely necessary. I may not be interested in such a difficult confident enough," he says. Mr Chan's close involvemen



MR MARTIN LEE, or Lee Chu-Ming, made his name as one of the most sought-after hardsters in Hong Kong after graduating from the University of Hong Kong. Now a Queen's Counsel, the sit-year-old Mr Lee spends as much time on politics as law from his platform as the elected representative of the

elected representative of the legal community in the Legis-lative Council. He is also chairman of the Consumer Council. His barrister image has, in the past, given him less grass roots appeal than some of his liberal colleagues in the Coun-cil. He has irritated the colony's establishment with his sometimes extreme views and prickly manner, and a tendency to be an instant spokes-man on everything. But the recent turnoil in China has swept him along on a wave of

popular support.

Long before recent events in Peking, Mr Lee was supporting the building up of democratic systems in Hong Kong to atop China interfering after 1997. He has arrested that mitures and and has argued that universal suf-frage in Hong Kong, by that date is the only way to achieve this, and stresses the chief executive must unhesitatingly put Hong Kong first in any conflict of interest with

Peking rather than try to balance between the two.

I have been keen on one thing to give the people a democratic structure so who

TS LO, or Lo Tak Shing, is a 54-year-old Oxford-educated solicitor and a well-known public figure. He comes from one of Hong Kong's most aristocratic families, with a tradition of serving the British, His father received a knighthood.

But Mr Lo broke ranks in tion of serving the British. His father received a knighthood.

But Mr Lo broke ranks in 1986 when he resigned from the Executive and Legislative Councils after the UK refused to give Hong Kong people passports and a right of abode. "I was no longer prepared to be part of councils which propped up such a colonial regime," he says.

To underline the point, he set up a non-profit making company called Hongkong Froedom of Movement and Right of Abode to advise people on how to emigrate and obtain foreign passports.

A few months ago Mr Lo formed one of Hong Kong first political parties, the New Hong Kong Alliance. It is intended to emerge slowly by 1997 as a cummon front, but suffers from a lack of directions.

suffers from a lack of direc-

He doubts whether it is possible to have a democracy within, a non-democratic China. But he insists that Hong Keng must work with Poking which, at least till a few weeks ago, he trusted. "We can do nothing against China unless you want a revolution. So we must keep cool and realine we are part of



ever is in power can be removed by the system," ha says. The personality of the chief executive would then become of secondary-impor-

Mr Lee would almost certainly win a popular vote tomorrow, However, if keeping Peking happy is the name of the game, he would find him-self some way down any list of likely candidates,

Mr Lo gives the impression of being a man who once believed strongly in change, maybe even revolutionary change, but who has grown fatalistic and disfilusioned by He has cultivated go the has contrasted good con-tacts inside China, but his cur-tent lack of drive must make him only an outside runner for the job — unless he is inten-tionally lying low to stay on the right side of Peking.



#### Allen Lee

ALLEN LEE, or Lee Peng Fei, is the relaxed 49-year-old busi-nessman who last year became the senior member of the Leg-islative Council. He runs a successful electronics company which has a minority stake in a Guangdong plant and, until recently, was chairman of Hong Kong's Broadcasting

Authority.
Widely respected for his balseemed excessively pragmatic

a stance he is now changing
following the Tiannanmen

Sonare massacra.

"It is too early to say whether we should try to change the 1997 hand-over date — but I would not totally rule it out. In the Bank Law we it out. In the Basic Law we must build in provisions to reflect clearly that it is to be one country and two quite different systems and that any

interference by China is entirely unacceptable," he

Mr Lee now believes the first two chief executives should be indirectly elected, provided the electoral college is democratic, not rigged by Peking. The the Hong Kong people's respect and Pelcing must accept that, Of course, it is better if the person is acceptable to Peking, but even if he is not, he should still have the job and it is then his responsibility to establish a working relationship with

Peking."
Mr Lee is the man with most going for him as a chief execu-tive candidate - unless his



public exposure of his pre position, provide him with an ideal springboard. In the current crisis he has a unique

chance to develop his public charisma and to demonstrate political drive and the necessary administrative ability.

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HONG KONG'S economy is one of the most flexible in the world. An almost complete absence of government interference, wages that go down as well as up, a phenomenally active class of local entrepreneurs, and an open door to foreign investors have enabled the economy to bounce back quickly from each

successive shock. Optimists argue that the economy will weather the crisis in China in the same way: investment returns will rise until the money comes pouring in again. However, this time the process of adjustment may be more difficult than before, and what was billed to be a slow-down in growth this year to about 7 per cent, from over 13 per cent last year, might turn into something closer to 5 per cent which for Hong Kong almost

The economy has become vitally dependent on China in the last few years: 30 per cent of its exports go there, and 80 per cent of its booming re-export trade relates to goods going to or from China. Hong Kong supplies two-thirds of China's overseas investments, and China, in turn, is the biggest overseas investor in

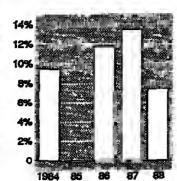
Hong Kong. Some 2m peopla iu Some 2m peopla in Guangdong provinca are employed by Hong Kong firms, which have sat up manufacturing operations there to take advantage of en unlimited pool of labour willing to work for 75 per cent

less than the going rate.
The game plan was that
Hong Kong would become a vast service centre for the Chinese mainland, enpplying all the technical, financial, professional know-how, as well as the trade infrastructure. Most economists believe that the plan still holds good in the long term, but in the short term there is likely to be a pause while all investment

Lucy Kellaway examines economic prospects

# The spring is tested

Real GDP growth



plans, both in Hong Kong and in China itself, are re-assessed. In addition, there is likely to be a slowing of trade with

be a slowing of trade with China and, on some recent estimates, the government forecast of 35 per cent re-export growth this year is too high by a factor of three.

For the time being, though, the manufacturing operations in Guangdong Province seem to be operating much as usual but, should things start getting sticky, there is scope for manufacturers to source elsewhere elsewhere

In a purely economic sense, all this might be seen as a hlessing to Hong Kong, which, ou the basis of exploding business with the mainland, has grown by over 30 per cent in the past three years, and was beginning to show alarming signs of overheating. Inflation in the economy was running at an annual rate of over 10 per cent before the trouble in China started making the official forecast of 8.5 per cent for the full year look rather optimistic.

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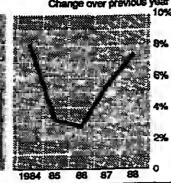
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Inflation Change over previous year



The chief pressure points were rents, which had gone up by 70 per cent in the last 12 months alone, and wages. In the last three years real wages have risen by some 25 per cent, and this year, faced with a chronic labour shortage and unemployment of just 13 per ceut, wage agreements in many sectors this year have

reached 15 per cent or more.

There are already signs that the economy has shifted down a gear, and events in China should hasten the process. While they are not likely to have any immediate or direct impact on domestic inflation, they should act as the trigger for a long-overdue fall in the

The most visible sign of a slow down is in relation to exports, which have been the main engine of growth. In the first quarter exports increased by a mere 6 per cent -compared with 11 per cent in the first quarter of last year whila re-exports, which last year grew at an astounding 50 per cent, have slackened to 35

closer to HK\$160n. The reduction is mainly due to a reduction of trade with the

competitive.
Although protectionist measures have left the headlines, their threat has not

signs of guerilla warfare by the textilee lobby, which, according to Mr John Chan, the trade secretary, could prove equally harmful.

Perhaps more serious are the EC dumping charges on video cassettes, which Mr Chan warns could price Hong Kong out of the market altogether.

The pace of productivity improvements is also slackening. Over the past three years productivity growth has improved at an average of 7-8

per cent a year, as the economy has moved from low to high productivity industries,

made labour saving investment and shifted employees over the

and shifted employees over the border. However, gains cannot go ou being made at that kind of rate, and about 4 per cent productivity growth this year

is shout the most that can be

hoped for

This year's budget looks equally cautious. Increases in US, as it fights with its imposing trade deficit. Moreover, the recent rise in the US dollar, against which the Hong Kong dollar is pegged, will also help slow things down a bit, by making Hong Kong's goods less competitive. expenditure are marginal, and a 0.5 percentage point cut in business and personal tax rates merely takes them back to where they were before the government's finances were rudely shoved into deficit by recession in the mid-1980s. In future, the government is planning to replace part of the receded Even though the Textile Bill has once again failed to makes its wsy through congress, there are income tax burden with a sales

has become more certain over the past few weeks: the Hong Kong currency looks set to stay pegged to the US dollar.

half in 1985.

Half in 1985.

However, the fact that the Hong Kong dollar remained rock steady a month ago, while stock prices tumbled and investors took fright, is seen by the government as the final justification for keeping the link intest.

government has pursued a tight fiscal policy, which, as the economy has gone on growing, has turned progressively tighter. Indeed, a fiscal surplus, initially expected to be about HK\$5.5hn last year, has turned out to be about HK\$5.5hn

order to curb such chronic volatility of its revenues in the

Amid all the uncertainty in the colony, at least one thing There is less agreement on

Many economists had argued that the dollar link camouflaged inefficiences in the economy by keeping the the economy by keeping the currency at artificially-low levels, thus increasing inflation further. Others argued that the dollar should be replaced by a basket of currencies, including the Chinese RMR, to reflect the shift in trade away from the IIS - which now accounts for US - which new accounts for less than 30 per cent of total exports, compared to almost

With a view to keeping the don inflation, the link intact.

#### LABOUR

# Shortage puts strain . on the economy

economic success is a desperate shortage of labour. The mighty Hongkong Bank has 750 permanently unfilled vacancies, while other companies in every sector from services to manufacturing to construction have similar tales to test!

A recent report by a group of employers federations put the total number of vacancies at about 200,000 and rising; government statisticians reckou the number is half that but, on either estimate, the problem is

the appropriate remedy. The employers argue that the only solution is to admit large uumbers of migrant workers hut the government refuses to allow this. It argues that since Hong Kong has no minimum wage and an incomplete social security system, the social costs of letting in migrant workers would be unacceptably high. Furthermore, the colony's housing and infrastruc-ture are already stretched to the limit by the existing 5.5m As an interim measure, how-

ever, it has agreed to take 3,000 "skilled" workers - defined rather loosely to admit artisans of almost any sort - to help mest some of the 16,000 shortfall of skilled labour. However, the plan, which is due to come into effect this month, now looks a little uncertain. The original idea was that most of the workers would come from China, but since the normal bureaucratic channels in China may now be blocked, employ-ers could find themselves

looking elsewhere.
The shortage has been putting a serious strain on the economy. As unemployment in the colony has fallen steadily to just over 1 per cent, wage rises over the last three years have grown at twice the rate of inflation. According to Mr Martin Barrow, the chairman of the employers' federation, the

effect of higher wages will be "a faltaring economy and deteriorating standards, which will benefit neody, least of all

Hong Kong's workers".

If the recent events in China lead to a marked scondain slow-down, some of the peak sure will be taken off the labour market. The long-term atructural problem, however, will not be solved.

According to the govern-ment, companies need to make investments in saving labour, indeed, certain industries have aheady been forced to mechan-ise—the Hongkong Bank, for example, has been busily repa-cing tellers with cash

There is widespread evidence of a general improve-ment in efficiency, though change is a piecemeni process particularly for the family owned groups, which domin Hong Kong's economy, emple ing fewer than 200 people

#### A number of companies are shifting domicile

## Offshore move speeds up

WHEN CHINA takes over Hong Kong in 1997 it may find that the thriving business zone is strangely devoid of company

neadquarters. In the first few months of the year, nearly two dozeu companies announced plans to move domicile to Bermuda or the Cayman Islands. As pros-pects after 1997 become increasingly doubtful, the flow

is bound to increase. For the corporate refugee unlike the personal refugee the business of getting post-1997 insurance is relatively easy. There are no queues, no quotas and, above all, no need to move much more than a token manager and a secretary to the new place of abode.

For just HK\$2m in merchant bankers' fees, a company can complete an elaborate restructcomplete an elaborate restruct-uring, creating a whole family of interlinked offshore compa-nies, each owning different parts of the business. Unfortunately, the protec-tion offered is far from com-

plete. The mere presence of a brass plaque on a door in the Cayman Islands is never going to stop a hostile Chinese Government from nationalising assets based in Hong Kong, but it should safeguard all the international assets. Inde

for many companies with assets tied to Hong Kong, there may be little point in moving. The Swire Group, for one, is planning to stay put. "I quite understand that it makes sense for companies with international assets to move, but for companies with Hong Kong assets, the question of domicile is not meaningful," says Mr David Gledhill, chairman. The issue is politically sensi-

tive slace Hong Kong compa-nies do not wish to be seen to be shaking confidence in the colony's future. Since the storm of outrage that greeted Jardine Matheson's tactlesslytimed move to Bermuda in 1984, most of the companies that have followed Jardine have explained their decision as a largely fiscal one.

These arguments seem thin: Hong Kong has one of the most lenient tax regimes in the world, a lax regulatory system, and all the accounting, legal and banking infrastructure that any company could want.
"It is not a matter of saving tax by moving, but the major issue is whether the move may actually create a tax hability." actually create a tax liability," says Mr Roderick Houng-Lee

of Price Waterhouse.
Until recently, companies could have claimed — with some plausibility — that they were moving offshore so as to be able to buy in their own shares, a privilege not allowed in the colony.

Earlier this mouth, the stock surplayers record to block the

exchange moved to block the loophole, to stop potential abuse. This is not likely to

stem the flow offshore because. of all the companies that have moved, only one - Hong Kong Land - has taken advantage of the provision. Its share buyback was more a technical con-

back was more a technical con-sequence of the move rather than the reason for it.

For fear of causing further upset, other major companies may feel constrained from fol-lowing. "The really big ones, like the Hongkong Bank, will have to stay, but all the medium and small companies well gradually do it," says Mr Stephen Clark, director of Stephen Clark, director of Anglo Chinese, a merchant bank which has supervised at east six departures this year . He argues that the recent rush offshore demonstrates a

Hong Kong's boardrooms, which is being fanned by sens-ine concern about China's future intentions.

Meanwhile, shareholders'

response to a decision to move is a little equivocal. While most companies have found their plans unanimously approved by shareholders, so far there has been no noticeable effect on share prices. Perhaps the market thinks that an insurance policy is not really necessary. More likely, though, it simply cannot see beyond next week, let alone to

Lucy Kelleway



or of the Heng Kong Stock Exchange

#### STOCK EXCHANGE

#### People make all the difference

THE ARCHITECTS of Hong Kong's stock exchange, rebuilt from the rums of October 1987, never dreamed that a second shock was just 18 months away. But, so far, the market seems to have held up, and the new regulatory team is even allowing itself a little self-constitution.

We've been through our first test of a major market crisis and come out in good shape," says Mr Robert Owen, head of the recently-created Securities and Futures Com-

The last time that prices fell 40 per cent, the exchange had to close and a mass of dirty dealing and defaults was revealed. When the market fell by a similar amount a month ago, dealing remained orderly, all margin calls were met, and any scandals have been slow to

surface.
The achievement is all the greater since the complex new structure for the industry is only half in place. The idiosyncratic 24-bour paper settlement arrangement — which brought the whole market down in 1987 - has yet to be replaced by a modern electronic system. The system, bowever, has

been just about managing under the increased flow of bargains. The stock exchange

has been calling emergency svening settlement sessions, punishing those brokers who fail to sttend, and standing ready to settle any outstanding bargains itself.

Such measures reveal that the biggest difference between the stock exchange now and 18 mouths ago is not the fine print in the securities legislation but the people involved. Since last year the market has had a professional executive management under the leadership of the youthful Mr

Francis Yuen. The team, which is no longer in the pockets of the old stock exchange council, is trying to rebuild the reputation of the market with an almost missionary zeal.

Meanwhile, the council has heen stripped of its corrupt ele-ments. With a few corporate

members, and even one for-eigner, it is no longer a club run for the benefit of a few individuals. This is also reflected in the new rules which deprive the council of the right to set the prices of new issues - making it more difficult for members to line their pockets.

Later this year, a new disclo-sure rule will change practices even more fundamentally. All share stakes of over 10 per cent Continued opposite



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Michael Marray reports on the outlook for investment

# One more cycle of profit

HARD THOUGH it may be to and China in the same trip. imagine in the current atmo-sphere of shaken confidence, many businessmen believe that there is still plenty of time for at least one more Hong Kong boom and bust cycle before the territory reverts to Chinese sovereignty in 1997.

Until recently, many people pointed to the year 1992 as the start of the critical period for start of the critical period for Hong Kong, citing the local tra-dition of looking for a payback of less than five years on an investment. This short-term outlook could prove to be a major strength, with renewed determination to make the most of the years that remain, regardless of confidence in the post-1997 era.

In the short term, however, few people are expecting to see a continuation of the invest-ment flows in manufacturing. retailing and property, and the explosion of regional headquar-ters and buying offices which have been experienced in the

past few years.
Instead, new investment activity has ground to a stand-still, most noticeably in the property sector. There is a gen-eral walt and see attitude until the economic implications of China's political upheaval

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Industrialists believe the continuation of China's open door policy remains in question, despite assurances from Peking officials that it is business as usual. Given Hong Kong's interdependence with Guangdong province, any clos-ing of the door would have dire

consequences.
Within Hong Kong itself,
there are fears of a downturn in consumer spending as the local population switches to saving more, which would deprive the economy of an increasingly important compo-

nent of its recent growth. In the area of tourism, where visits by businessmen and

tourists often link Hong Kong

widespread cancellations are already hurting hotel occupancies as well as depriving retailers of an important group of

Faced with such a picture, it is no surprise that potential new investors from overseas are content to put their plans

"For those who have already invested, there is no reason to change their plans," says Mr Goetz Funck, general manager of the German Business Association of Hong Kong, but for those only at the planning stage there is every reason to wait.

New Investors from overseas are putting their plans on hold

"As long as we don't know what is coming next, we won't take any action," he says. Like most others, German business-men will probably make use of the traditional summer lull as a convenient excuse to defer decisions until the autumn.

"Everyone is waiting to see
what the other guy is going to
do," says Mr Lawrence Mills,
director general of the Federation of Hong Kong Industries.
He sees October as a critical
test of confidence, when oversest of confidence, when over-seas garment buyers normally pour into Hong Kong to place orders in the vital textiles sec-tor. If substantial orders are placed, then the re-equipping and buying of new plant and machinery will follow, Mr Mills argues. If the buyers stay away, the territory could be in away, the territory could be in for a rough time.

The September to October period is being widely cited as the time when investor confidence - or lack of it - will

People hope that the same

up Hong Kong in the first place a natural deep water port serving as the gateway to China and a central position in the Asia region — will once again persuade overseas bust-

nessmen to invest here.
"It is still an extremely attractive place to operate from, perticularly if you look at Hong Kong — as many at Hong Kong — as many American companies do — as a regional headquarters," says Mr Stephen Hunt, president of the American Chamber of

Mr Hunt points out that the American presence partly mir-rors the move in the Hong Kong economy towards a service sector role, with manufacturing moving over the border
into China.

Regional buying offices, and
marketing and servicing
operations are coming in to
make use of the good telecommunications and air links, and
nosition as the sateway to

position as the gateway to

China, he says.

There is certainly going to be a harder look at Hong Kong, but at the end of the day it may well be that decisions are still made to set up operations. here," Mr Hunt says.

However, those in search of a regional headquarters will be sure to examine other options such as Singapore. On the manufacturing side, countries like Thailand and the Philip-pines will be looked at for production facilities as alterna-tives to Hong Kong and

Hong Kong is likely to remain a convenient choice for some investors. Local business-men will continue to combine a policy of diversification over seas with new investment within the territory, with the planned payback well before

For new investments, we like to have an average pay-back of no longer than five years," says Mr Victor Lo, managing director of Gold Peak Industries, which manufactures small batteries and electrical appliances.
"We still have eight years

left, and if the payback period is five years, I don't think we should let the situation in China affect our decision-mak-

ing so much."

None the less, Mr Lo adds that now is not the time to hinry into any major projects.
The same advice is being heard on the property market which over the past two years, has benefited from large amounts of regional money coming in from Australia, Japan and Taiwan. This, too, her semestimes been cited as has sometimes been cited as proof of confidence beyond 1997, but overseas investors have generally been traders looking for shorter term prof-

"The vast majority of inves-tors were looking for capital gain, they were not really looking for long term invest-ment," says Mr Paul Varty, director at Chesterton Petty. There was a noticeable absence of institutional money, such as pension funds and insurance companies, which would be seen in the London or

New York property markets.

It is likely to be practical considerations — like the strength of the US dollar, to which Hong Kong dollar is linked — rather than emotion. which eventually determine whether regional investors from Japan and Taiwan, for example, return to make further investments in Hong Kong's hotel, real estate, retailing and manufacturing sectors. Hard-headed decisions on

investment could reap big rewards as they did after the 1962 property and stock market collapse and the 1987 global market crasb. However, changes in China's econon policy or performance could still scare investors away from



Hong Kong people withdraw money from a Chinese muinland bank

#### BANKING

## In sound enough financial shape to withstand current pressures

THE HONG Kong Banking Commission was, perhaps, tempting providence to refer to an "absence of crises" in its latest report on the health of the banking system. Just four days after the report was published, the troops opened fire in Peking. The following day there was a run on Hong Kong branches of the powerful Bank of China, as thousands of protesting depositors queued to

withdraw their money. withdraw their money.

That event did not escalate into a monetary crisis, but it did bring home the dependence of the Hong Kong banking system on the Chinese mainland. Not only are Chinese banks among the most powerful in Hong Kong, with about 20 percent of depositors' money, but the banking sector as a whole is heavily committed to China.

is heavily committed to China. Nevertheless, Hong Kong banks are in good financial shape to respond to any shocks. Following the collapse of marginal banks in the early 1980s, banking supervision has been overhauled. Since Sep-tember last year all banks have had to meet capital adequacy rules. This move has already put a stop to over-trading by

Following collapses In the 1980s, supervision has been overhauled

some deposit takers: in order to meet the requirement that capital must equal at least 5 per cent of assets, they have had to reduce their books by an average of 15 per cent, Japa-nese banks, by far the most powerful and aggressive of the deposit-takers, have had to cut back their activities by a quarter to meet the rules.

According to Mr Tony Nicolle, the banking commissioner, Hong Kong is better sioner, Hong Kong is better
placed than many other financial centres to meet the new
international guidelines on

capital adequacy. "The Basle Committe calls for a minimum of 8 per cent by the end of 1992, but I expect we will achieve that much earlier, he says. A more immediate concern China is rather mixed news for

to the banking sector is prop-erty lending within Hong Kong itself. The level of lending to the property sector has esca-lated over the past four years and now accounts for HK\$145bn - about a third of its domestic loan book. With most of the developers fairly well capitalised and the local banks cantious after having their fingers burnt in the past. the risk is, perhaps, not an enormous one. However, there is concern that some of the banks are lending against high asset values - which, in many cases, have doubled in the past year alone - rather than looking to the ability of devel-

cent correction that many analysts expect, the banks should escape relatively unscathed. The damage to business confidence caused by events in

An immediate concern to the banking sector Is property lending

the banks, at least in the short term. On one hand, any rise in interest rates would improve their profitability, while a cut in demand for new loans will only increase competition for business - this was already fierce, and profit margins have already been squeezed. The banks are struggling to contain increases in their salary bills to 15 per cent this year. Given the shortage of labour, pressure on salaries is not going to

Lucy Kellaway

#### **CHINA'S INTERESTS**

# Stake could outstrip US'

NOBODY KNOWS quite how much investment China has in

manufacturing and banking. It comes from an equally broad range of investors, from the

One of the most visible and successful **Investors** is Citic

central government through every province and municipality to companies and private

individuals. The size of China's direct interest might be seen as uncomfortably large, especially after recent events. However, the Hong Kong government argues that, if anything, it should make China less disposed to threaten the prosperity of the colony after 1997.
According to Ms Diane Yow-

ell, of the Hengkong Bank China Services, few of the

investments are politically NORODDY KNOWS quite how much investment China has in Hong Kong, but the total is hig. At somewhere between \$9bn and \$25bn, China's stake probably far ouistrips even that of the US.

The money is spread over about the constance investments are politically motivated. "These companies are partly here to gain expertise — but mainly for a bit of profiteering," she says.

A more immediate danger is that China, which is desperately in need of foreign exchange reserves, may try and curb its overseas investment. However, so far the

ment. However, so far the noises from the Chinese investors are no more cautious than from other investors.

Mr Larry Yung, managing director of China International Trust and Investment Corporation, said recently that current plans were on hold but that he

did not expect any large revision in future strategy.

Mr Bob Taylor from the US consulate in Hong Kong says it would be impossible for China to bring back most of the money, even if it wanted to do

"The Government has already tried to clamp down on investment, and all it has managed to do is to close a few companies," he says. "The amounts involved have got too large. There has been a general length of the companies of the companies of the same of the companies." breakdown of economic disci-pline."

He also argues that the Chinese savers - who on some estimates account for 10 per cent of stock exchange turn-over — are unlikely to with-draw their money from the stock market, even after the recent fall, since they have a limited choice of places to put it.

One of the most visible and successful investors in Hong Kong is Citic, which over the

Companies have been quick to copy Hong Kong corporate habits

last two years has built up a diversified portfolio worth about HKR6hn.

It has increased the value of Peking's stake ten fold, through some acute churning of its assets, as well as by getting into the property and shipping markets. Citic also owns 125 per cent of Cathay Pacific, a 25 per cent stake in the new tunnel project and 20 per cent tunnel project and 20 per cent of Companhia Telecomunica-coes de Macau, which it bought from Cable and Wireless in March. It also has direct

car parts, quartz and comput-

Citic investments are simply the tip of the iceberg. There are between 2,000 and 5,000 small and medium-sized China-controlled, companies in gate far outstrip the estab-lished players like China Resources, the Bank of China and China Merchants, many of which have been investing in the colony for 100 years or

Chinese companies have been quick to copy Hong Kong corporate habits by building complex business empires in which the ultimate ownership is difficult to trace.

Many have set up Hong Kong companies in order to enjoy the tax breaks offered by the mainland to foreign compa-nies. The Hilton in Shanghai, for instance, is classified as for-eign owned, even though 90 per cant of it is owned by China through a Hong Kong offshoot.

Lucy Kellaway

# Market holds up to second shock

must be declared, and controlling sharebolders must appounce any changes of 1 per cent in their holdings.

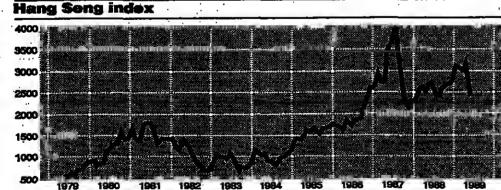
The new rule will not only make it more difficult for the families - who typically account for about 40 per cent of turnover in the shares of their companies — to manipu-late prices, but it will give the

market a transparency that it has never had before. Next year a new electronic settlement and clearing system is due to come into operation. Once upon a time this would have been a cosy profit oppor-tunity for the higgest player, but now the system is to be half owned by the exchange and half by six banks. It will be operated on a non-profit basis. In the more distant future, the plan is not just to change practices and systems, but to change the very style of the members. There are plans to introduce exams for new mem-bers, and to teach the old ones

and yields. The new Securities and Futures Commission, which started its official life only last month, is changing business practices still further. The commission is still struggling to appoint its 229 rangilars, but eventually they will have most of the remarks that in the most of the powers that in the UK are shared among the Takeover Panel, salf-regulatory bodies and the government

about such things as p/e ratios

The transition from the old freewheeling market to the new professional one is not ther running smoothly. There has been a good deal of undignified sniping between the stock exchange and the



SFC, which some people believe is simply duplicating the functions being carried out by the exchange.

Initially there was also a culture clash between the SFC, the senior ranks of which are entirely composed of foreign-ers, and the predominantly Chinese stock exchange, as well as a certain amount of personal antipathy. In recent months, however, the two bod-ies seem to be getting on more

amiably.

By contrast, the concern about over-regulation is not going away as the new mea-sures are being put to the test. Mr Mark Mobius, of Templeton International, argues that "the medicine is worse than the dis-

complains of HK\$300,000 legal bill and a four-month delay in setting up a mutual fund that had already been approved by the regula-tory bodies in the US. "This kind of regulatory harassment

is not in the interests of inves-tors — who will have to pay for it in the end," he says. Mr Mark Faber from Drexel Burnham Lambert goes further, "Fraud and corruption is an integral part of the market here in Asia, and there is no point trying to change it," he

Mr Robert Owen flatly denies that anything valuable is being lost. "When Happy Valley got rid of horse race fix-ing, the interest went up," he says. "Better regulation and protection for investors should actually increase trading."

There has also been criticism about the decision to make insider trading a civil rather than a criminal offence. The drafters of the new law, however, argue that the onus of proof for a criminal conviction would be so great as to make the law ineffective at catching

Meanwhile, the futures exchange, which would have

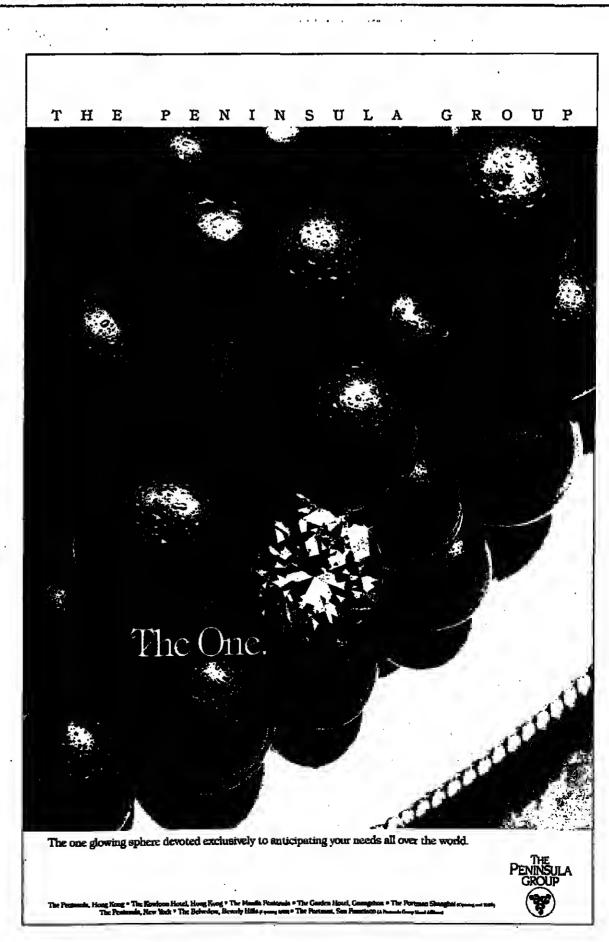
disappeared altogether at the time of the crash without a HK\$2bn lifeboat, has been resurfacing rather more

It is only in the past month or so that turnover has risen above the 4,000 contracts a day needed to cover running costs - still a tiny fraction of vol-

umes before the crash.
It has taken a great deal of effort to secure the necessary majority for the restructuring plan. Success was finally achieved, freeing the exchange to stop fire-lighting and start introducing new contracts, stracting new members and so

The Hay Davidson report doubted whether a futures market was really necessary to the future of Hong Kong, and even though the new chair-man, Mr Eoghan McMillan, is reasonably confident about the prospects for futures, the jury is still out.

Lucy Kellaway



How much of a slump will follow the property market boom of the past year?

# 'Wait and see' line on residential sales

A 12-MONTH surge in prices on Hong Kong's property mar-ket finally ran into difficulties in early June. Following the violent crackdown on the pro-test movement in China, investors paused for thought as they looked down from the dizzy heights reached in all sectors of the market.

The 1988/89 property boom emerged against the unlikely backdrop of the 1987 world stock markets crash. Transactions dried np for several months as many investors sat waiting for a clear direction to be established. They then found they had to rush to jump on the bandwagon of spiralling

This time round there are still those who are looking for another gravity-defying performance. Most, though, are anticipating a drop of 10 to 20 per cent in sale prices, and do not, in the short term, expect to see many of the kinds of multi-billion dollar deals which were a feature of 1988 and

In the commercial rental sector, however, property agents remain reasonably optimistic about the future. Rentals for office space in Hong Kong's central financial district are now more expensive than those on New York's Wall Street, ranking number three behind Tokyo and the City of London in the world league table. Indeed, local landlords have been encountering some

leases come up for review.

The cost of prime office space for rent doubled between the start of 1989 and the first up to HK\$75 per sq foot per month now commonplace in a prestige address such as Hong Kong Land's Exchange Square, and HK\$50 in the, as yet unfinished, Bank of China building, though there are substantial

discounts for large users. Soaring rentals have led to the phenomenon of rent refugees, with many companies moving back office functions to new office buildings in hitherto industrial and residential areas of Kowloon, particularly those which are adjacent to stations along the underground Mass Transit Railway network.

This means that office developments are now competing for scarce space with industrial buildings, adding to concern among manufacturers about rising rental costs which they, themselves, have experienced over the past year. There is a particular demand for well-located good quality warehouse

In Hong Kong's bustling retail sector, shop frontage on main roads and within the many indoor shopping centres is also fetching good prices, as consumer spending continues

Though reasonably optimistic about the outlook for the office, industrial and retaii rentai sectors, property agents are increasingly worried about the residential saies market -

individuai investors may have been scared off by recent events

to be strong. Though reasonably optimistic about the outlook for the office, industrial and retail rental sectors, property agents are more worried about the residential sales market where, with confidence badly shaken by the bloodshed in Peking, individual investors

may be scared off.

"If there is any sector to be hit it must be the residential market," said Mr Gareth Williams of property agents Vigers Hong Kong. Figures from Vigers show that prices for residential flats grew by 48.6 per cent between the first quarter of 1988 and the first quarter of

"What is happening is that people are taking a wait and see attitude," Mr Williams said. Vendors are reinctant to sell at lower prices and so few transactions are actually going

through.
"Residential sales have slowed down dramatically,"

agreed Mr Dominic Leung of property agents Richard Ellis. "Bnt, in terms of leasing, things are going fine," he said. The brain drain among the local Chinese professional clas-ses has meant that more expatriate executives have been brought in. They demand first class accommodation as part of their overall renume package and have helped push reotals for large flats in the colony to astronomical levels. Worries about the future have

Wornes about the ruture nave also led to a trend of renting rather than buying property.

Mr Leung said that high price levels, high interest rates, and a substantial supply of new developments coming on to the market had all been pointing towards some sort of correction during 1989. This is despite the fact that affordability is still high after several years of economic growth and rising wages for the territory's population.
One positive factor is that

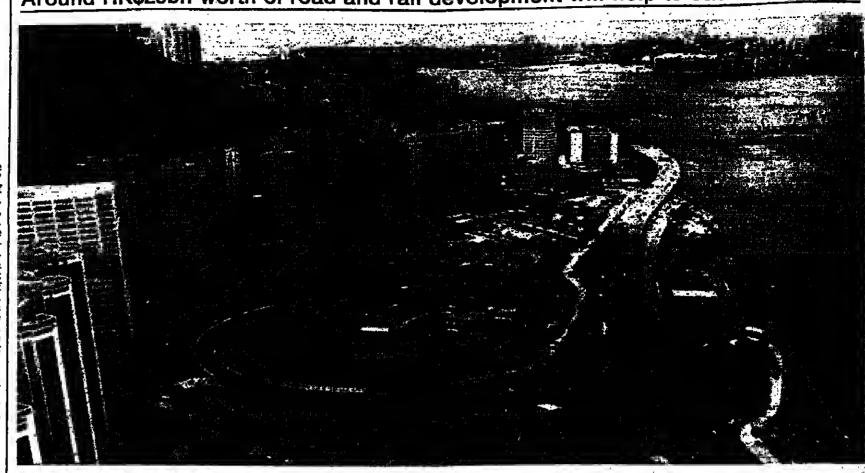
this time round the market is made up of end users and not highly-geared speculators as was the case prior to the 1982 property crash. "We are lucky this time," Mr Leung said. The banking sector, in particular, has tightened up its credit policies during the past few years. With strong end-nser

demand in all sectors, there is still a possibility that Hong Kong will weather the storm of shaken confidence in the run-up to the 1997 hand-over to The next big psychological

test for the market is the sale by tender of the large site behind the new Bank of China building in Central, for which bids have to be lodged with the government by July 21. As news leaks out about the number of bidders and the sale - assuming a high enough offer is received - the information will be eagerly jumped upon as providing the forecast for the future of Hong Kong's property market over the next few years.

Michael Marray

Around HK\$29bn-worth of road and rail development will help to ease congestion



# On track for the next century

IN THE WAKE of several years of runaway economic growth, Hong Kong's transport system is becoming increasingly con-gested, with each morning and evening rush hour redncing road traffic to a snail's pace. There are long tailbacks at the entrances to the cross harbour tunnel and there are now even Tokyo-style packers to help passengers on and off trains at crowded Mass Transit Railway

In response to these problems, the government recently released a green paper outlin-ing the likely policies which will carry the colony into the next century. Some HK\$29bn of road and rail developments are envisaged, including both pub-lic works and privately-funded projects along the lines of the privately-built and operated second cross harbour tunnel which will be open to both road and rail traffic by August. Sir Piers Jacobs, Hong

Kong's financial secretary, said recently that planning is proceeding on all major projects, including a new airport and container port, in spite of recent events in China. This is seen as essential if confidence in the future of the territory is to be maintained.

At present, a site at Chek Lap Kok, off Lantau Island, is thought to be the favoured option for the new airport. This is expected to go ahead despite an anticipated slowdown in the rate of traffic growth at the existing overcrowded Kai Tak airport. The green paper proposes a three-pronged strategy of better pub-lic transport, an improved infrastructure and better man-agement of demand for road

"All three elements are equally important," said Mr Michael Leung, secretary for transport. A balanced package is the aim, including items such as bus-only lanes, computerised traffic control, and a building-up of the more effi-cient mass carriers such as rail links, while trying to trim the number of cars on the road. One loophole likely to be closed is the lower tax on goods vehicles - many are used as passenger vehicles without any genuine business

Zoned payments, or electronic road pricing - which disappeared amidst a chorus of indignation after a trial run between 1983 and 1985 - are also being considered. The government has promised, however, that any new road pricing system will not be along the old lines.

Mr Leung stresses that the tradition of leaving public transport systems in private hands will continue to be a central plank of government policy. "They all operate on commercial principles and make profits," he said. "We do not wish to upset that philoso-

The HK\$9bn taken up by new rail projects, including new rail links connecting parts

of the New Territories, extensions to the current subway sums to the current stoway system and a third rail harbour crossing, should all be pri-vately financed, as will tunnel sections within the road net-work where charging toll fees is practicable

The first cross harbour tun-nel, completed in 1972, is a thriving concern with its HK\$10 toll. The second cross-ing meanwhile, with road and rail tunnels, has been com-pleted well ahead of schedule and is forecast soon to carry 35,000 to 40,000 vehicles per

The government invited tenders in 1964 and the following year awarded the project to the New Hong Kong Tunnel Company to finance, build and operate the tunnel at an estimated cost of HK\$3.4bn. The

road franchise runs until 2016 and the rail tunnel until 2008, the latter being leased to the Mass Transit Rallway as part of its network.

It took only 36 months for the 1.86k tunnel to be finished. comprising 15 pre-cast concrete units each weighing over 40,000 tonnes which were floated into position, immersed and then joined together. Auxiliary feeder roads were also built by the tunnel company under the

terms of its contract.

The payback on such projects extends well beyond the 1997 handover of sovereignty to China, but the government still hopes that private inves-tors will continue to compete-for the right to operate such facilities, starting with yet another road tunnel under harbour and a third rail har-

bour crossing within the next

Most of the infrastructure planning in the green paper concerns the moving of people and traffic around Hong Koog itself but, also critical are the traffic flows to and are scross the border with China, where around 12,000 trucks cross every day.

Assuming no dramatic slam-ming of the open door by China, this total will continue to rise, particularly if the private sector-financed highway being built by Mr Gordon Wo's Hopewell Holdings, which will-link Hong Kong. Canton and other cities of the Pearl River

Michael Marray

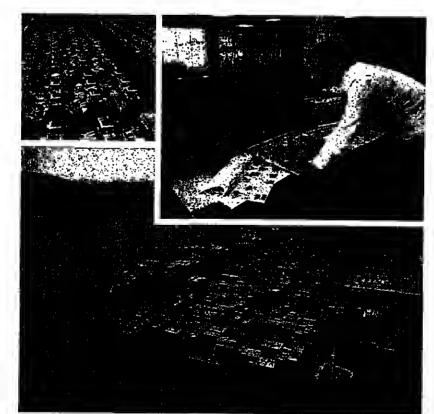


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# Miles 5 CHINA NEW TERRITORIES LANTAU ISLAND

#### TOURISM

# Diversification abroad

AS HONG Kong hotel owners and operators have embarked upon a spending spree around the world, the local hotel industry has developed from being merely an outpost in the

global industry into being a base for overseas expansion. Hotels such as the London Churchill, the former Ramada Renaissance in San Francisco, and Maxime's de Paris in New York have all been snapped up by local companies. The North American Omni and Aircos chains, meanwhile, are now controlled by Sir YK Pao's Wharf Group and Mr Lo Yuk Sui's Regal Hotels, respec-

The springboard for this expansion has been the remarkable success of Hong Kong's own tourist industry which, between 1988 and 1988, saw the number of visitors more than double from 2.7m to

"Hong Kong hotels have for the past five years been sitting on a remarkable financial success," said Mr Kenneth Mullins, vice president of Park Lane International Mr Mullins' company itself paid the highest price ever for a European hotel when it acquired the London Churchill for £110m in early 1988 – a price which today no longer looks

particularly expensive.

Mr Mullims argues that this success in Hong Kong has bred confidence and a desire to search out new opportunities

providing resources to back up expansion plans.

The building up of a chain of properties in the key cities of the world brings substantial benefits; especially on the marketing side. Another reason for acquiring properties overseas is that Hong Kong companies wish to diversify their assets

ary which includes China.

Cancellations began to pour in as soon as the military crackdown began in Peking. Bookings are in doubt for the peak October to December season, for which travellers in key markets such as Europe and the United States will soon be choosing their destinations.

Cancellations began to pour in as soon as the military crackdown began in Peking

the 1997 change of sovereignty. Despite this process of diver-sification, local owners and sincation, local owners and operators still rely upon Hong Kong for a significant share of their profits, so they are worried about the problems currently facing the local industry. A construction boom will result in around 10,000 extra rooms coming on stream by the end of 1991, prompting fears of a gint of hotel rooms even before the recent turmoil in China cast its shadow over Hong Kong.

out of the territory ahead of

Downward pressure has already been seen on room rates and occupancy levels, though, until recently, tourist arrival figures were continuing to rise at a fast pace. But the violence in China promises to dent growth prospects in the short term because many businessmen and tourists come to Hong Kong as part of an itiner-

According to Mr Douglas King, director of marketing at King, director of marketing at the Hong Kong Tourist Associ-ation, the biggest effect is likely to be seen in the Taiwan-ese market, which grew by 213 per cent to over one million in 1988. Most were using Hong Kong as a stopping-off point into China following the relax-ation of travel restrictions. ation of travel restrictions.

Mr King is, however, more optimistic about visitors from Japan, most of whom treat Hong Kong as a destination in itself rather than an add-on to China. Some 1.2m Japanese came into Hong Kong last year, and another 335,000 in the first quarter of 1989. They are the biggest spanders of all, averaging some HK\$7,376 per head. This compares with HK\$6,486 from North American visitors and only HK\$4,356 from the Taiwanese.

The combination of new rooms coming on stream and a slow-down in growth of arrivals will continue to affect the profitability of hotels, at least in the short term. But with son everage occupancy rate of 92 per cent in 1988, local hoteliers at least have a comfortable cushion to absorb the slow-down in business.

down in business.

It is the new hotels which are most likely to have problems, and price-cutting tactics in order to bump up low occupancies could spell even lower profits for the industry. But according to Mr Mullins, the hunt is still on for new reverse. according to Mr Mullins, the hunt is still on for new properties abroad, with Park Lane targeting New York and Sydney, and Hong Kong and Shanghai Hotels looking at a number of cities including. Tokyo, Meanwhile, while Mr Lo Yuk Sui's Regal group is determined to use its North American Aircoa chain as a American Aircoa chain as a hase for further global expan-sion. Mandarin Oriental is also still on the lookout for suitable

opportunities.
Regardless of further deals in the coming year, the tables have already been turned by Hong Kong's hotel operators. In the past it was the hig international chains which came into the tarritory was local. into the territory; now local hotel groups are, themselves, expanding world-wide. This is yet another example of the changing economic balance between the new-found wealth of Asia and the old money of Europe and the US.

Michael Marray

SECTION IV

# **FINANCIAL TIMES**



Ante Markovic, the Yugoslav Prime Minister, is intent on making the economy market-oriented. He

wants to weaken the role of the ruling communist party, but his task has not been made easier by a resurgence of nationalism, writes **Judy Dempsey** 

# **Medicine for** nationalism

YUGOSLAVIA IS at a crossroads. Committed to introducing what appear to be radical economic reforms, the authorities are faced with adapting the political system to these changes. But the problem is that the signposts are

unmarked. Unlike Hungary or Poland. Yugoslavia's ruling League of Communists (communist party) remains uncertain about which direction to take. The longer it hesitates, the greater the chance the reforms will

Hungary and Poland realised that any economic reforms depended on two crucial ingredients. One was an injection of western capital to revitalise the economy. The other and more radical one was a liberal-isation of the political system in order to gain support from their populations, an essential plank for the success of the economic reforms. This latter decision has led to the dilution, to an unprecedented degree, of the communist party's monop-

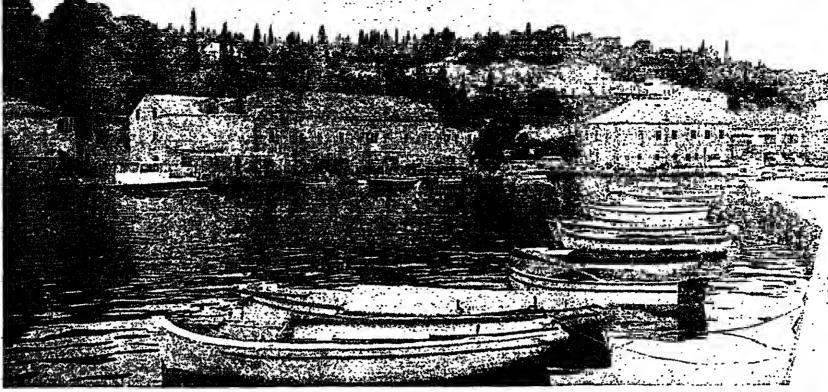
However, Yugoslavia's economic crisis, plagued with a rising inflation rate which, it is reckoned. will reach 1,000 per poses greater challenges for

that country's communist

party.
Unlike Hungary or Poland,
Yugoslavia is far from homogeneous. It can boast at least 17 nationalities/minorities. But in the same breath, those nationalities each have very different degrees of political experience and political culture. The challenge now facing the Yugoslav party and government is how to find a system which not only facilitates economic reforms, but one which is compatible with the myriad of expectations and political attitudes prevailing throughout

This is one of the unenviable tasks facing Mr Ante Markovic, a deceptively calm, but resil-ient, politician who is determined to push through bold reforms. But the more he aspires to creating what amounts to a market-type economy, the sharper the political, economic and cultural dif-ferences become. Above all, age-old nationalist antipathies are now dividing the country and influencing, if not distorting, the debate on political

These nationalist tensions are not the result of 40 years of communist rule. Rather, they are historically embedded in a



which only the com-could until recently

Under Tito's rule, Yngo-slavia was held together by several threads. The first was the Second World War. By the Second World War. By sheer energy and organisation, the communist party, through the Partisans, fought to protect the fragile integrity of the country, despite defections by Croatia to the Nazis. That units earned the communists unity earned the communists considerable support. Of even more importance was the break with Stalin in 1949 which gained Tito great respect both domestically and internation-

To capitalise on the ideological differences between Moscow and Belgrade, Tito and his advisers embarked on a road towards Yugoslav-style socialism based on workers' self-management. But over the years, this has been slowly smothered as the ruling com-munists constructed colossal

True, such hureancracies had been a tendency in ruling communist parties throughout Eastern Europe, But Yugo-slavia went one stage further. In order to contain the latent nationalism, the communist parties in the six republics were granted a wide measure of autonomy from the central anthorities in how they ran their regional economics. Political and economic antarchy, combined with rapid economic growth, soon became substi-tutes for nationalism.

When nationalism dared rear its ugly head, Tito resorted to

# YUGOSLAVIA

Area	256,000 sq fcm	imports of morchandise:	(1986) \$13.63bn (1987) \$13.29bn
Population	23,41m	Current account balance: (1988) +5	
President	Janez Drnovsek	COTTEN ACCOUNT DAMANCE.	(1987) +\$1.25bm
Prime Minister	Ante Markovic	Reserves including gold: [April 89	) \$1.843br
Birth rate 1	per 1,000 population	Main export destinations (1987)	
Labour force (1985): 6	3% of total population	Soviet Union 19.4%, Italy 13%,	W Germany 11.6%
Urban population (1985):	45% of total	Main Import sources (1987) W Germany 18.3%, Sov. Union 15	.3%, Italy 10.3%
Doctors per 1,000 inhabitants (1	982) 1.6	Foreign debt (end-1987)	\$14.45bn
Real GDP growth	(1988) -1.6%, (1987) 0.5%,	Debt service ratio	13.3%
	(1978-88) 1.5%	Average exchange rate (1968)	
GDP per capita (1987)	\$2,679	\$1 ~ Dinare 2,523	£1 = Dinara 4,495
inflation: (1988) 194%, (1987) 120%, (1977-87) 48.5%		Population by republic (1985) Serbie 41.5%, Croatia 20,1%, Bosnia and Herze	
Exports of merchandise:	(1968) \$13.13bn (1987) \$12.33bn	goving 18.7%, Macedonia 8.7%, Slovenia	

system, the ruling communists

repression. The nationalist movement in the northern republic of Croatia in 1971, and in the southern province of Kosovo in 1981, testify as much to Tito's determination to sup-press nationalism as to his authoritarian style of leader-

ship.
Such a policy of containment was also helped through what appeared to be a bottomless well of credits from western financial institutions which were shovelled into building uneconomic prestige projects in the republics.

Today, however, as the Soviet Union, Hungary and Poland press ahead with defin-ing the future role of the com-But those days of endless supplies of dollars are over. So munist party, Yngoslavia's communists are locked in an too is the dream of a worker's self-managed socialist society.

"The tragedy is that we wasted the late 1960s and the 1970s by unbelievable war of polemics and vitriol which has brought not introducing reforms," says Mr Branko Caratan, a member of the party's federal central committee. In addition, by relying on goodwill from the West. unity of the federation.

This rise in nationalism is partly due to a highly complex a reasonably high standard of llving and a relatively liberal

had few reasons to reform. Besides, there was little pressure from either inside or outside the party to change

nationalism to a boiling point and which often seems to threaten to break up the fragile

picture of how the six repubiles view political power and political reform.

The north-west of the coun-

try, eodowed with fertile land and a political culture bred on the Hapsburg Empire, is that much closer to Europe than to the Baikans. These lands are Catholic in religion and out-look. And, despite the benevothem over the centuries from

CONTENTS

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Foreign policy; a push to the West National Bank

Workers' self-management: barriers that must be removed External financo: stand-by deal with the IMF

Foreign trado: imports on the riss: experis growth below industrial output: cutbacks on the

Holidays: a beautiful country - in spits of the scowling waiter industry: toreign capital

Coviot, near Oubrownik, photographed by Terry Kirk

Editorial production:

political language between the Sioveoia threatens to pull out of the federation altogether while Serbia drums home the oced for strong party leadership and Croatia sinks toto even deeper pessimism about the future of Yugoslavia. Meanwhile, the rest of the country reluctantly prepares to swallow Mr Markovic's medi-

The medicine is sour but necessary. Mr Markovic, a veteran expert at successfully running large enterprises, knows that the old system of tenure et the workplace, patronage from the party, and the nomenklatura have to be dismantled. He knows that few foreign investors will come to Yugoslavia if the party, the hureaucracy and the banks are oot fundamentally changed. He knows too that these measures carry the seeds of potential uorest, sioce thousands are expected to lose their jobs.

Economists agree he has to act now, and singlemindedly. But those same economists argue that the political system will block the successful implementation of the reforms. All the more reason why Mr Markovic and his advisers are anxions to write a new constitu-

The current one, a document infested with realms of turgid polemical jargoo which invest a vast range of powers to the communist party, can still be used by the republics' elites to block the reforms.

Continued on Page 2

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# YUGOSLAVIA'S ENERGETIC GROUP

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With its services and products INA is present on the international market. Besides the already established list of products for export as virgin naphtha, petrol coke, engine and industrial oils, lubricants, bitumen, aromatics and fertilizers, INA also offers petrochemical products, plastic materials, various types of carbon black, activated bentonite etc. The supply of fuels to planes and ships makes a considerable portion of the export of refinery products. INA offers and performs the following services:

Vienna, they have retained

some degree of a civil society which persists in the national consciousness to this day.

Thus, party officials in Ljuhljana or Zagreb tend increas-ingly to perceive political

accountable to the people. But paradoxically, the more these republics talk about political

pluralism, the more nationalist

Part of the reason is the exis-

tence of an historical antipathy towards Serbia, the largest of

the republics, Thanks to con-stitutional amendments passed earlier this year. Serbla regained Kosovo and the north-

ern province of Vojvodina, two

regions which were coostitu-tionally ettached to it, but in

practice were largely autooo-mous. Now that both provinces

are back in the Serbian bouse

hold, Slovenia and Croatia fear that Serbia, equipped with its newly-won siblings, will, through authoritarian rule,

attempt to dominate the Yugo-

almost reminiscent of those which took place after 1918

when the country was strug-

gling to be born. Whether or not these fears of

Serbia are justified, they have made life difficult for Mr Mar-

kovic. What he wants to do is to separate the party from the

state. Let the government run the economy, he says. Let the party sort out its own affairs.

But as he revises and refines his economic reforms, the

These debates today are

slav federation.

their vocabulary becomes.

oot as an immutable object, hut as an ever-changing subject which should be made

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rism
- Promotion of hunting, fishing and health tourism
- Cooperation with other tou-

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— CH and gas reservoir dove-- Onling of exploration and production on-end off-shore

wells
- Testing and completion of wells

— Construction of production

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natural gas; Exploratory work for, and production of crude oil and natural gas on oil fields in fo-

**GREATER THAN THE SUM OF OUR PARTS** ZAGREB, Ulica Proleterakih brigada 78, Telephone (041) 539-444. Telex 21223. Fax (041) 538-982 Judy Dempsey looks at the chances for political pluralism in the light of nationalist pressures on the federation

# Politics is waiting to come of age



Ante Markovic, Yugoslavia's Prime Minister IT IS tempting to view Yugoslavia today through the historical lens of the early

Then, the young country, called the Kingdom of Serbs, Croats and Slovenes, was bickering over what kind of consti-

tution it would adopt.

The debates were fascinating. Small political parties in equally small Slovenia wanted autonomy within some form of unitary state. The last thing they wanted was a highly centralist state which possibly be dominated

The Croats hovered between political autonomy and central-ism. Like their Slovene neigh-

bours, they feared the growing power of Serbia.

And Serbia, that proud, almost schizophrenic nation, rationally attracted by Europe's political traditions but emotionally wooded by her bot emotionally wooed by her great Slav neighbours to the East, wanted a highly centralised and unitary state.

After months of negotia-tions, the Vidovdan Constitution, a centralised constitution if ever one sxisted, was adopted on June 28, 1921. The Serbs were delighted.

"This year's Vidovdan restored an empire to us," proclaimed an editorial in Samonprava,

the newspaper of the Serbian National Radical Party. However, both the victory

and the empire were short-lived Royalty soon took over the reins of power and quashed the fledgling parlia-Nearly 70 years later, the struggle between republics

fighting to retain their auton-

A crucial component dominates the debates: the role of the communist party. But the League Is paralysed, after maintaining a semblance of unity

omy versus a centralised state is as strong as it was in the early 1920s.

for 40 years

However, this time round, one crucial component dominates the debates: the role of the ruling communist party. But Yugoslavia's League of Communists is paralysed.

Having maintained a semblance of unity over the past 40 years, it is now involved in an

intense and divisive debate vhose outcome will almost certainly dictate the political

At the root of the discussions is how the party should be reformed. And like the debates between 1918 and 1921, the three key players are Serhia. Slovenia and Croatia. How the other three repub-

lics - Montenegro, Macedonia and Bosnia-Hercegovina - will react to the debates will be a crucial factor in deciding the nature of political pluralism in the country.

The Serbian view, promoted by Mr Slobodan Milosevic, the

former party leader of Serbia, but now the republic's President, advocates a highly disciplined party leadership.

Party officials in Belgrade —
most notably, that arch-conservative, Mr Vladimir Stambuk

 speak of democratic central-ism in the party, a term which the Hungarians and Poles have already relegated to the historical archives.

Serbia's view is that the root of Yugoslavia's political and economic problems rests in corrupt, old party leaderships and bureaucracies who for years used political power for their own advantage.

Mr Milosevic, a zealous poli-

tician who wants to clean np

the image of the party in Serhis and other parts of the country, took this message to the

streets last year.

There, he unashamedly accused the republical leaderships of disregarding the wishes of the people. And last antumn, in a wave

of populism, he encouraged his Serbian supporters to topple the party and government lead-erships in the northern province of Vojvodina.

In October, the party and government leaderships in

Montenegro fell, again partly due to pressure from Serbia.

The other republics were shocked by the power and

cials seriously believed that if Mr Milosevic could influence events in Vojvodina and Montenegro, he could do likewise in the northern republics.
Yet, paradoxically, the response by the Croats towards

the rise of Serbian power and nationalism has been judicious if not plain Machiavellian. Mr Stipe Suvar, the former party leader of Croatia and the

former federal party leader, quickly sensed the need to seek support from his own Croats in order to withstand the polemical onslaught from

conservative coat and donned a liberal suit.

least four independent political

"If the party is to survive here in Croatia and keep Serhia at bay, then it will have to seek some support, some legiti-macy from its own people," says Mr Slavko Goldstein, one of the founding members of the small Croatian Social-Liberal

More significantly, Mr Gold-stein says that "if we have strong nationalist movements in Yugoslavia without democratic processes or without a democratic programme, it will

be disastrous for the country."
This call for political pluralism is not only confined to Slovenia and Croatia. It is spreading to Bosnia-Hercegovina and Montenegro where the youth movement and a payment amount of particles. younger generation of party officials appear anxious to lib-eralise the party's rigid strucSLOVENIA

ITALY

tures. It is even spreading to

sensus among the republics is that if Mr Ante Markovic, the recently elected Prims Minis-

tar, is to succeed with his eco-nomic reforms, the party will not only have to cede greater

'Milosevic is obsessed

with the economic

successes of Korea

and Japan. An

authoritarian-style

key to push through

economic reforms'

force emanating from Serbia. Slovene and Croat party offi-

He encouraged independent political grouping to smarge. Today, Croatia can boast at

Alliance.

political structure, he seems to think, is the power to the Government. It

will also have to loosen its grip on the economy.

However, while there is a wide degree of consensus among the republics about the need to introduce a market economy, Serbia has a particu-lar vision about the political

structures necessary to make the market economy effective.
"Mr Milosevic has a vision for Serbia in particular and for Yugoslavia in general," say Serbian economists.

HUNGARY

MONTENEGRO

**BOSNIA HERCEGOVINA** 

d on the left in this photo from the federal Parliament last

BELGRADE

MACEDONIA

political groupings which have

sprung up in recent months. Serbian intellectuals and

indeed even political scientists from Croatia have posed one

interesting argument against

institutionalising political

Because Yugoslavia is so diverse and because the

political experiences and

political cultures are so far spart from each other, there is

an underlying fear that any future political parties will be based on national or ethnic

interests rather than on federal

Interestingly, there is, to date, only one independent political group which tries to transcend the boundaries of

both republic and nationality.

Called the Association for a Yugoslav Democratic Initia-

tive, the movement is based in

ROMANIA

BULGARIA

"He is obsessed with the economic successes of South Korea and Japan. He seems to think that an authoritarianstyle political structure, which existed in South Korea until recently, is the key to pushing through economic reforms throughout the country," com-ments a close aide of Mr Milo-

Officials also add that the Serbian President is impatient with the growing power of the republics and their ability to block reforms.

That, however, has been one of the prices to pay for a multi-ethnic and highly heterogeneous country.

But equally, the very diversity of Yugoslavia negates the possibility that it can emulate the South Korean experience.

Yet if Serbia has specific views on political and experience the south serbia manufacture of the series of economic developments, it also worries increasingly about the plethora of independent Zagreb, Croatia and is led by Professor Branko Horvet, the distinguished economist.

In this light, worries for example, that an independent Serbian socialist party would win an election and dominate the Parliament are understand

But as liberals point out, such arguments cannot be used indefinitely for postpon-ing some form of political phr-ralism.

This fear of any one republic dominating the federation was one of the reasons why the late President Tito devised the 1974 constitution. That not only contained nationalism: it also gave the republics equal repreentation on the party's central committee.

This system must contime," say Slovene party offi-cials. "Otherwise, we will be swamped by Serbia which has the highest party membership in the country."

But Serbs, for their part,

argue that they are under represented by virtue of their large party membership.

Ever-optimistic party officials hope that these bitter arguments will be resolved at a party congress which is due to be held later this year.

Then, there are plans to Then, there are plans to

write a new constitution. ment officials are arguing about the nature of that new constitution. Should it contain any

references to the leading role of the party? Should it stipulate a multi-party system? Should it mention the party at

Few Yugoslavs are certain how consensus will be reached. Few of them believe the months of internal party bick-ering will soon end. All, how-

ering will soon end. All, how-ever, believe that Yugoslavia is going through one of its most serious crises since the Second World War.

But this time round, unlike 1921, there is no monarch waiting in the wings. Instead, politics is waiting to come of age.

# Medicine for nationalism

Continued from Page 1

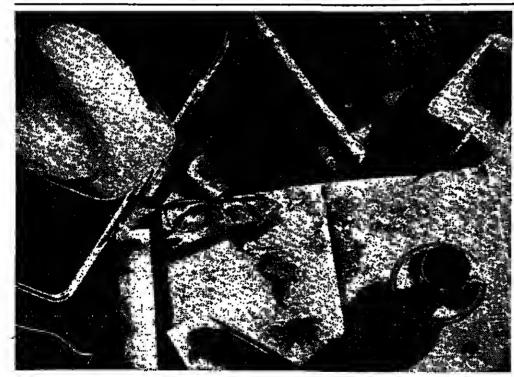
"The only way we will resolve this nationalism issue is by channelling it through independent political parties," says one of the party's top political scientists. "If not, it will spill onto the streets." That has already happened in

But the party, even if it

reformer, nevertheless remains a deeply divided one. Yet this time round, neither the party nor the government has the West from which to seek eco-nomic help, nor the East to use as the bogeyman. "We are alone now. No fear of war. No money. No threat from Moscow. To survive, we will

denies it is a reluctant have to walk together" are statements often heard in Bel-

Mr Markovic has strong nerves and knows which direc-tion to go. But the party lead-ership refuses to choose, let alone walk with him. Time will tell if Mr Markovic can go it alone, or indeed if Yogoslavia can hold together.



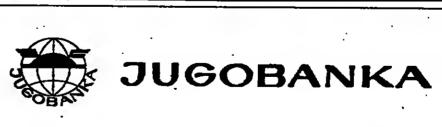
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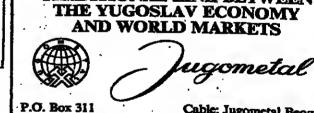
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# 'Five years will be needed to control inflation'

IN AN interview given to the FT for this survey - the first to the foreign press since he became Prime Minister in March - Mr Ante Markovic revealed himself as a consistent pro-marketeer, an optimist on the possibilities of his reform programme; cautious on the possibilities for political reform; and a man in a hurry.

"Time is our major enemy," he said as preface to the interview. He explained this as meaning that the longer time elassed between proposing market reforms and implementations. ing them, the longer the administrative and political conservatives would have to group and block reforms. This consciousness of his pro-gramme's encirclement by hos-tile forces leads him to use the metaphors of battle — "I expect hostility from dogmatists, conservatives and ultra-leftists — they're not united

"I don't fear them - it's a normal process. But speed is of paramount importance to take the initiative away from the describe the tactics of my battle, but we will go forward on several fronts."

Speed is of paramount importance to take the initiative away from conservative forces

With that in mind, he sees the first year of his govern-ment as the critical one - "by this summer we should have adopted all the legislative acts which we need as a framework this will be a framework of a unified economic system with a market which will be international, and with all kinds of thought he would lose a unified economic system with a market which will be inter-

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ownership on an equal footing.
"We shall see a start to the process of changing anonyous capital into social car tal" - a transformation the Prime Minister has, in speeches, also referred to as giving the rights of real ownership, either to private compa-nies, to co-operatives or to the workers themselves.

The whole programme he sees as being a five-year one — the full term of his Government — and the aim at the end of it is to have the dinar conof it is to have the umar convertible and inflation under control. No one suggests it can be done more quickly — but can it be done at all, with a weak federal administration and a resurgent Serbia?

"Do you believe that I would be here unless I thought I could really succeed?" Mr Markovic seks sharply when that

match? Obviously not!"

The new system will, he says, revive and renew workers' self-management, raising it from a bureaucratic sloth. "It gives self-management more room, and pushes it to the fore. Workers will take on new rights - and new responsibili-ties too, which they previously didn't have.

"Personally, I see the reform "Personally, I see the reform in this context as one of motivating the individual and his taking responsibility for himself. It gives him a chance to affect his own environment. This is the problem of all developed societies.

"Being anti-dogmatic, I don't think there's only one way of doing it. But (the sim is) to bring the workers closer to the marketplace and allow them to make decisions based on market signals."

ket signals." On the troubles in the southern province of Kosovo, the Prime Minister was robustly hopeful (The riots, by

the majority ethnic Albanians in the province last year, were sparked off by a change in the Serblan constitution to restore full Serbian control over its southern province, and the northern province of Volvodina - both of which had been taken from it by Titoist reforms in 1974.) Ha said: "The constitutional

changes in Serbia were within the framework of the Yugosla-vian constitution — and that is binding for all parties. The fact is that before these changes is that before these changes were introduced the republic of Serbia was not adequately constituted — now it is. The relations between Serbia and (Kosovo and Vojvodina) cannot go beyond what is guaranteed in the constitution. There will be tima needed for practical solutions to be offered to meet the issues and tensions which arise."

On political change, Mr Mar-kovic is ambiguous, seeming to confine his aims to a pluralism

mithin the ranks of the League making no commitment to what kind of change he will see in the future. We have been radical on the economic system - but the political system didn't follow adequately from that. We simply were not capable of improving on it.
"In order not to lose more

time, we've been pragmatic— we hoped to introduce changes in the economic field— and these would bring along politi-cal changes in their wake. This will be more obvious when the new political system is in place.
"The initial changes are

already in place: there is the possibility of nominating more than one candidate, and of having a second ballot (if none gets the majority of votes first time). No-one is now guaran-

"I feel the logic of develop-ment of the new economic system will demand changes in rather, if they do not happen, they would put the new economic system in jeopardy." As Prime Minister of Croatia from 1982-86, he earned the reputation of a political liberal

Development of the new economic system will demand changes in the political system

and an economic pragmatist.

He went through the war as a partisan and put 35 years of industrial leadership under his belt at the Rade Koncar engineering plant in Zagreb (where he was director for 15 years). His experiences have made him open-minded enough to embrace change bnt wise enough not to expect it to happen merely because it see

Many within and outside Yugoslavia give Mr Markovic at best an even chance. His programme is sharper than that of Mr Branko Mikulic, whom he replaced and about whom he will not comment: but it is essentially the same and he has the same constella tion of political forces with which to deal. Already, his which to deal. Already, his plans to form a more unified market in Yugoslavia have run into resistance from the Federal Bank: and the speed which he sees as so urgent is being slowed by the fear of republics that they are being railroaded. Mr Markovic is Yugoslavia's first politician, but his powers are everywhere cramped by are everywhere cramped by people who are more powerful in their patch. He must make the federal writ run further: no-one since Tito has been able to achieve it. He has the crisis on his side, but not time.

John Lloyd looks at the prospects for the economy

# An oblique way to solve a crisis

THE EVIDENCE of crisis is obvious enough from the bare facts. Inflation — 200 per cent last year — could triple in 1989. There has been a real decline in living standards. Foreign debt stands at some \$38bn, or 160 per cent of the annual for eign exchange earnings. The black economy reaches some 30-40 per cent of GNP. The former Government - that of Mr Branko Mikulic - resigned last December, fallen after an austerity package provoked widespread strikes and failed to stem inflation.

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. If the easy tenor of life and the relative (to surrounding, East European, economies)-affluence displayed in the cities, particularly in Slovenia, Croatia and the northern part of Serbla, belie the descriptions of "crisis" tors point clearly to detectoration unless reforms are made, and made to stick.

The new Government of Ante Markovic - who took over in March - continues the pro-market reformism of the Mikulic team: much of its legislation has been taken over from that government, and remains the same in general thrust, though sharpened up in

The Prime Minister is attempting to tackle inflation, by oblique rather than (as his predecessor did) by direct tac-tics; he has imposed no wage or price freeze, but relies on the market mechanisms which his reforms are almed at stimulating to do the job for him,

over time. He has identified the root He has identified the root problem of the economy not in inflation, nor in foreign debt—but in bureaucratic interference in economic life, in lack of productivity and a low level of technical modernisation in enterprises and in the lack of power held by the federal government over the economies of the six republics.

the six republics. These republics, very largely antonomous, have hanks and enterprises which can issue their own "promissory notes" having the same effect as cash, and which in turn means --says the Prime Minister - that the federal government's control of the money supply is reduced to around 30 per cent of the total, and thus any attempt to tighten supply is described to fellura. doomed to failure. There is room for consider-

able scepticism on the Govern-

composition, which appears uniformly reformist: nor because of the Prime Minister's will to undertake reform, since it is manifest (see interview above). But - as officials con-timally stress - the uniquely autonomous role given to the republics, and the ability their governments have to delay or to veto change when it is seen to cut against their interests, means that packages of radical reform are more easily side-lined or destroyed than in-

Branko Mikulic, who resigned

after his austority package

ment's aims; not because of its

The fact that the League of-Communists, which in formal terms monopolises political

'it seems hopeless but. there are ways out'

power, has in effect become in the 1980s six nationalist parties with different interests and with different approaches to the federal economy means that the only trans-republican political medium can no longer operate to smooth out the dif-

This is and will remain one of the Government's largest headaches. Yet it has this going for it: that there is a for-mal consensus on market reforms: the Prime Minister had been careful to get agreement to his reform package before formally taking over.

His plans to deregulate the His plans to deregulate the banking and commercial sectors, to establish a cavital and labour market and to restore responsibility to the individual and the individual unit of production represent the hope he has of solving the communum he posed in his first speech as Prime Minister on March 16: "statistically observed our situ-ation seems hopeless: bnt dynamically observed there are ways cut."

Three months on, in a

speech to the Yugoslav assembly on June 14, the Prime Minister commended his package of draft laws on enterprises, foreign investment, accounting practice, labour – and forth-coming laws on taxes and fiscal policy – as being consistent with the "imperative to enter the market system."

The Yugoslav version of socialism, then, would become both closer to western social democratic models, and closer in intention to the reform mod-els now suggested by the lead-erships of Poland, Hungary and to a lesser extent the Soviet Union: the "conver-gence" theory (proposed by, among others, Zbigniew Bre-zinski, former US Secretary of State), under which communist and capitalist economies developed similar features, now seems to be vindicated, if belat-

Emphasis is placed on mar-ket pressures, and on enter-prises and individuals accus-toming themselves to them: yet at the same time, there is a cognition that the trai to a more fully marketised sys-tem will have casualties, and that there thus needs to be a better developed "safety net"

than at present.

Also in common with Hungary and Poland is a recognition that reform begins and ends at home, and that the days of importing capital from the West with the never-fulfilled aim of paying for it by exporting goods have gone forever, leaving only the bills.

"The problem we have is not so much the lack of capital," says Mr Tomislav Popovic, director of the Consortium of than at present.

director of the Consortium of Economic Institutes. "It is in finding profitable investo and in attracting more foreign capital and joint venture part-

Will the Government sucwill the Government suc-tent, and contradictory aims – getting Government out of enterprises and imposing Gov-ernment will on the republics? The two sims are only apparently contradictory. The enthusiasts for a market system, though differing widely, agree that the common allment of

enterprises is interference by

local or republican parties and administrative organs - sometimes to ensure that certain employment or investment aims are being met, sometimes for reasons of political patron-age or straight corruption.

Professor Oskar Kovac, a for-mer minister and adviser and now at Belgrade University's economic faculty, doubts that the intention can be fulfilled, in part because the political and administrative centres have a privileged place guaranteed in the constitution, in part because the League of Commu-nists, as a monopoly party, will tend to have a determinant role, particularly in the larger enterprises. The aim, however, is to get the politics out.

The drive for greater federal control over monetary and fiscal policy, and to reduce barriers between the republics, is

seen as wholly consistent with the pursuit of market objec-tives. Yugoslavia's decentralisation means that market processes are hampered – by differing tax rates, differing incentives to industry, differing terms for foreign trade and, in effect, different monetary

In his speech, the Prime Min-ister recognised that he faced resistance to centralisation from the republics, suspicious always of an over-mighty cen-tre, particularly now that they fear that centre will be domi-nated by — as they see it — a resurgent Serbian nationalism.

As inflation mounts, time for these reforms to take effect gets shorter. The sense of crisis can be used by the Government - if it can comp to the wider society.



Printing money at the Yugoslav Mint in Belgrade, inflation is now at least 200 per cent

# AND THE SINGLE MARKET - EUROPE 1992

in view of "Europe without frontiers", it is both a challenge and imperative for lakes to outline it's own business attrategy? West European markets represent approximately 60% of

scrangy:
West European markets represent approximately 60% of
total letor-foreign trade — therefore it is of paramount
importance for Islan to maintain this position as well as
to endeavour through competitive strength to assure the

to endeavour through competitive strength to essues the development of new market segments. Although in the past decade, significant achievements were made in exporting iskra products, systems, services and technology to non-developed, third world and COMECON countries, iskra continues to be fully alert to the strategic contribution of West European marketing to our business success. Being involved in advenced electronics and state-of-the-ert technologies and these shiftir to cope with ever demanding and

meristing to our business success. Being involved in advanced electronics and state-of-the-ert technologies requires ability to cope with ever demending and competitive environment-drive and push rarely found in third world countries? The Yugoslav – EEC trade activities guided through preferential trade co-operation agreement, showed some encouraging results over the past several years. Although significant afforts have been made on both sides, Yugoslav exports to the EEC community still only represent 1.2% of the total EEC import-figure, the same as 15 years ago! These exports are primarily to non-dynamic sectors end into low-price segments. On these grounds, providing Yugoslav industry is able to overcome cartain barriers of the 1992 regulations, it would be correct to assume there is additional room for truly competitive and advanced Yugoslav products in the various EEC market sectors.

It is no secret that some social and economic difficulties in Yugoslavia have hed an advanced concept on export minded enterprices throughout the country. This was evident in reducing the competitive advantage of Yugoslav compenies, affocting their terms of trade and making exports far less structive and profitable. It took leion a great deal of effort and sacrifice to maintain

growth in West Europeen Export markets.
But we succeeded! kikra's exports to the Western
Hemisphere assured a steady growth and represented in
1988 more than \$150m – a figure never achieved before!
This also proves iskra's efficiency and strength to
compete world-wide.
We are looking forward to the reform of the Yugoslav
economy which should have a positive impact on
stabilizing the overall economy in Yugoslavia, beating
down huge infiation and bringing market-driven
entrepreneurship to full realisation.
The key role of iskra's global marketing orientation is
latra's own marketing network. It spans the globe and
promotes lakra in 65 countries. Trading companies,
manufacturing facilities, representative offices and
holding companies are located virtually in all major
Western Countries - United States, West Germany,
Switzerland, Italy, France, United Kingdom etc. as well as
in Tokyo, Mescow, Algiers, Beijing! Their role is complex;
promoting iskra's exports but also the purchase of
raw-materials, components, capital equipment and
technology, and the transfer of know-how to Iskra, as well
as acting as Istra's information centres on the letest
developments in the world of electronical
With all this in mind it is not surprising that Iskra is
peying particular attention to the development of the
Single European Market after 1992. These activities
include all fields of business in Iskra:

new range of products in accordance with customer's
epocification
monitoring new industriel standardization in the EEC
and Individual countries (BS, IECO, CEN, CENELEC)

and individual countries (BS, IECO, CEN, CENELEC)

analyzing cost structure to ensure competitiveness

verifying strategic business areas enti distribution
channals

consolidating bitms. monitoring new industrial standardization in the EEC

consolidating lakra's international merketing network
- shaping strategic planning in EEC merket
- restructuring overall corporate organization to be in

line with flexibitty demands of Europe after 1992 promoting new joint-venture business strategy and long term partnership elliances in fields carrying "extra weight" in terms of investments

weight. In terms of investments

- etc.

All the ectivities mentioned above should enable iskra to overcome the huge burden that Europe 1992 will represent to those not able to adjust their marketing strategy accordingly. The bridge across to Europe is our trading companies and broad customer base located in the EEC, and not unrealistic opportunity expectations that government's action will essure a privileged position for Yugoslavia in EEC trade activities. The EEC call for reciprocity is a serious threat requiring immediate efforts to restructure the entire industry. Besides already established lakra products in the EEC - rotary components, motors, automotive products, components, power tools, measuring equipment, etc., lakra will try to promote more sophisticated products through alliances with perhers from the EEC. Different marketing techniques are therefore needed - contract manufacturing, value added partnership, etc. manufacturing, value added partnership, etc.
The topic is also bringing venture capital to Iskra by establishing joint-ventures in Yugoslavis, taking into account new Yugoslav regulations on foreign investments. This lew should be far more attractive to investments from abroad in every respect – from transferring of profits up to their full participation in managing joint-venture compenies!

But most of all induce up the right model of a managing joint-venture companies!
But most of all, giving up the rigid model of a non-market economy which had a disastrous effect on Yugoslav enterprises, should bring market driven creativity and enterprise; the known factors of West European success, it's not going to be easy but as an old proverb says: "NO PAIN, NO GAIN," iskra is on its already established way towards an even more aggressive position in the EEC, irrespective of how Europe is really going to look by then.



President Gorbachev, visited Iskra in the spring of 1988.

iskra highlights 1988 Total production output: over \$1.2 billion Export sales: \$309.5 million Research and development: 6% of total income Capital investment: over 4% of total income Employees: 34,700



West German Chancellor, Mr. Helmut Kohl, visited the Iskra Exhibition Center at Hanover Industrial Fair in April 1988.

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# Milosevic plays the nationalist card



Ethnic Albanians demonstrate in March against a vote by the Kosovo Parliament calling for constitutional changes curbing self-rule



Near Titova Mitrovica, Kosovo, an Albanian rolls a hand-made cigarette

SIX HUNDRED years ago this month, the Serbs were defeated on the Fields of Kosovo by the Turks. It was a traumatic experience for the Serbs who had long regarded Kosovo as the cradle of their civilisation.

Mr Ivo Banac, a respected historian, bas gone as far as to describe that defeat as "an event that had no equal in the collective memory of the

As in Eastern Europe, his-tory plays a crucial and potent role in national consciousness in the Balkans

The Orthodox Serbs had built their spiritual Empire in Pec. the see of the Serbian patriarchs which is set deep in

From there, Emperor Stefan Dusan (1331-1355) ruled an empire which stretched as far afield as Hungary and Slovakia and across to western Macedonia and to Lake Ohrid, still regarded by Serbs as sacred

Thus, it was not surprising

that when the Serbs re-entered Kosovo in 1912, "they felt they were once again ascending to Jerusalem."

But what remained of Serbian culture was fragmentary. The region - rogged, mountainous and poor - was by then inhabited by ethnic Moslem Albanians who, over the centuries, had established their own culture and identity in the

The Serbs tried to catch up on lost time by ruthlessly reosing a Serbian character on the region. After 1918, Alba-nian schools were shut down and Serbs were encouraged to colonise Kosovo. By 1940, over 154,300 acres had been seized from Albanians, of which a third was given to Serbian set-

This harsh rule meted ont to the ethnic Albanians persisted in the post-war period. Mr Aleksandar Rankovic, Tito's notorious right-hand man, ruled not only Kosovo but other parts of Yugoslavia with an iron hand.

His fall in 1966 unleashed years of pent-up frustration by the ethnic Albanians, who took to the streets demanding their rights. Tito responded by granting them their own language schools, books, newspa-pers and culture. This newfound confidence of the ethnic Albanians was sealed in the new Constitution of 1974.

In one clean sweep, Tito, with the aim of containing Serbia's domination of the Yugoslav Federation, carved two provinces out of Serbia: Vojvodina in the north and Kosovo in the south.

Although both were consti-tutionally linked to Serbia, tbey had almost the same rights as the other six repub-lics - except for the right to secede from the federation.

However, this vast explosion of ethnic Albanian identity and political power, symbolised by the extraordinary surrealist building of the University of

In 1981, young, unemployed and educated ethnic Albanians, some of wbom were imbued with the spirit of nationalism and separatism, rebelled. But this time, the slogans were sep-aratist. The Yugoslav authorities sent in the army. Thou-sands of Albanians were arrested and imprisoned. The The Serbs took to the province, punctured by periods of cyclical violence and recrim-

with Serbia. That co-existence, however, proved not only fragile, but became a maileable tool for Mr Slobodan Milosevic, now the President of Serbia.

inations, once again settled

down to an uneasy co-existence

As a means to gain power over the party leadership in Serbia, and also to undo the perceived injustice to Serbia in the 1974 Constitution, he rallied the Serbs behind him. Last year, mouth after month, tens of thousands of Serbs, inspired by Mr Milosevic, an arch populist and a

fantastic orator, held mass demonstrations. Carrying por-traits of Mr Milosevic and chanting "Slobo, Slobo", interspersed with "Let us march on Kosovo", they won the fight to amend the 1974 Constitution and bring Kosovo and Vojvo-

streets, chanting 'Slobo, Slobo'... yet their Kosovo victory has deeply divided the Yugoslav federation

dina back into the Serbian fold. It was, to say the least, a bloody fight, Rather than use political institutions to articulate their cause, the Serbs used

the streets to win back the Fields of Kosovo.

The ethnic Albanians resorted to demonstrations and strikes to demand the return of

their autonomy. In the event, 22 ethnic Albanians were shot by the security forces. Mr Milosevic may have won back Kosovo for his Serbs, but the victory, for the moment, remains a Pyrrhic one.

it remains so because the pattle for Kosovo has deeply divided the Yugoslav federa-tion. Slovenia, the liberal republic tucked up in the north of the country, openly critic-ised Serbia's methods in

The response from Belgrade was bizarre. The Serbian Writers' Union broke off relations with the Slovene Writers'

To exacerbate tensions between the republics, Albanian intellectuals remain unable to ventilate their griev-ances in the Serbian media or with the Writers' Union in Bel grade. Instead, they use the Croatian and Slovene media to explain what is happening. Their accounts make grim reading. In order to consolidate

Belgrade's hold on the region. the newspapers in Kosovo have become virtual monthpieces for Mr Milosevic's policies. Those who do not toe the line are expelled from the party.

Nine Journalists from
Rijlinda, the ethnic Albanian

daily, have been expelled from the communist party. Intellec-tuals have been either sacked from their jobs or received severe warnings. Hundreds remain in prison. The Kosovo party, now led by Mr Rahman Morina, has lost all confidence among the ethnic Albanians Mr Morina is regarded as a Mil-

osevic man. But now that so-called historical injustices have been redressed, the question remains what Mr Milosevic wants to do with this unhappy province.

Persuading patriotic Serbs to return is almost certainly bound to fall on deaf ears. per cent is no incentive, nor is the chronically under-devel-

oped infrastructure. An injection of capital, Judiciously applied to joint ventures, could help. But Serbia in particular, and Yugoslavia in general, is

strapped for cash.
"We have no idea what Milo sevic plans to do with Kosovo. say party officials from Slov-enia, Croatia and even Serbia. As Mr Milosevic ponders the future development of the province, tens of thousands of rbs will commemorate the Battle of Kosovo. Some Serbs believe the battle has been now won. Other, more reflective Serbs are not so sure. Rebuilding any confidence between Serbs and ethnic Albanians will take years.

"The only way to weaken this appelling nationalism is to foster democratic political institutions," an Albanian soci-ologist commented. So far, Mr Milosevic is intent on playing the nationalist card. It is, however, a card which could destroy the integrity of Yego-

GREGOR GOLOBIC pulls no punches. Politically, he knows what he wants. As one of the leading members of Slovenia's youth movement (Mladine), he has been pushing for greater party, but ontside it. He wants more political pluralism. His goal is parliamentary democ-

racy.
Mr Golobic is a mere 25 years of age. But sitting with him in Mladine's offices in the centre of Linbliana, you cau feel the burst of energy coming from Slovenia's younger

In many ways, the youth movement, armed with Mla-dina, the provocative, stimu-lating weekly, has been instrumental in creating room for groups which in the past had

no platform on which to articulate their views.

These incinde the greens and the farmers, homosexuals and the women's movements. They tried to organise themwithin the Socialist Alliance of Working People of Yugoslavia (Sawpy). But this movement in Slovenia remains somewhat

Instead, the vonth movement, which must also be organised under the umbrella of Sawpy, opened its doors to all kinds of independentminded groups. The result: a flood of ideas. The effect: greater ability to push the Republic's communist party towards greater democratisa-

tion. The party could have closed

#### Spotlight on Slovenia's move towards democratisation

# ong, hot summer of polemics

its eyes and ears to these young people, who are but a stone's throw from the influences of neighbouring Austria and especially Italy.

After all, during the 1960s and early 1970s, Slovenia's communist party was no great bastion of liberalism. Writers were imprisoned. Newspapers were censored. Journals were confiscated.

But over time, the party relaxed and today is probably one of the most liberal organisations in Yugoslavia, if not in some parts of Eastern Europe. The one man who has shaped the ideology and out-look of the party has been Mr

He is no orator, no populist,

no demagogue. Instead, he has painstakingly set upon a course of "humanising" the

party. He has, for instance, subjected it to multiple candidate elections. He has opened sessions of the central committee to the public. He has joined open-air discussions with the independent political groupings. In short, he has not only advocated, but slowly put into practice, greater political plu-ralism.

society, equipped with its own language and culture.

Tucked within the Alps but

In some ways, the path was easy. Slovenia, with its tiny population of 1.9m people, is

with access to the Adriatic, its cultural and political experiences emanated from the Hapsburg Empire.

Not that those experiences were democratic. Rather, like other countries in Central Europe under Vienna's con-trol, particularly Hungary, the political structures consisted of a strong state and a fledg-ling civil society. In both Hungary and Slov-

enia, the bourgeois liberal classes were neither strong, nor organised enough, to push back the frontiers of the state and create genuine independent or antonomous institutions such as the judiciary and

the courts, crucial components for strengthing a civic culture. Nevertheless, after the col-lapse of the Empire in 1918 and the subsequent creation of the Kingdom of the Serbs, Croats and Slovenes (which Croats and Slovenes (which preceded the creation of Yugoslavia), Slovenia's political goals become more sharply

Their politicians, a hotch-

potch of agrarians, Catholic populists and social demo-crats, fought for one issue:

autonomy within a federation. In 1920, the programme of the Slovene People's Party explained what it meant by autonomy: "The autonomy of a prov-ince or a land consists of the following: that the supreme provincial authorities have immediate, highest and

supreme power of decision, and authority in political, eco-nomic, educational and financial questions.
"When a state has autonomy, it also has the right to issue regulations for these affairs, to decide in these affairs according to its own consideration and reason and

to have no master over it in these affairs."
And it added: "the Slovenes would not be commanded by incompetent and headless Belgrade officials."

Slovenia fought for this dif-ficult marriage between auton-omy and a federal Yugoslavia.

But, as if history has come full circle, these same arguments are once again dominating Slovene politics.
At issue for the Slovenes is

the future direction of the ugoslav communist party. Because Yugoslavia's federal party is so fragmented, the individual parties in the six republics have retained a certain autonomy.

But now that major economic reforms are on the agenda, the party leadership is looking for a political system (under the aegis of the party) which is compatible with these

economic measures.
Slovenia has no doubt which direction the party should head. As its own economy becomes more flexible, Slovens vene economists and party officials believe the party "must go to the market" as

"As we have a competition and market of ideas for the economy, so we must have one for politics," says Mrs Sonja Loncar, a member of Sloven-ia's central committee.

Many Slovenes agree with this. But the problem is that changes in the party rules on the republican level require changes on the federal level. This has caused immense

problems for the Slovenes. Southwards, the republic of Serbia, whose party leadership remains entrenched in an

orthodox communist ideology. continues to criticise Slovenia for its political views and particularly its attitude towards political pluralism.

Indeed, it now appears that support to block fundaments and necessary political reforms in a party congress

which is due later this year. For the Slovenes, this would make economic reforms unworkable. But above all, the Slovenes' greatest fear is the rise of a strong, nationalist Serbia which would come to dominate the Yugoslav Federa-

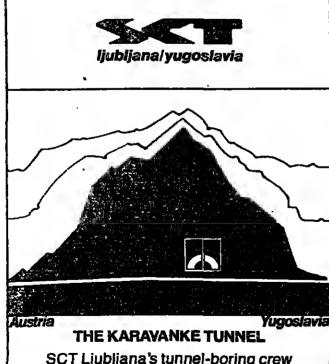
Mr Kucan has already said in no uncertain terms that Slovenia would not be part of a Yugoslavia in which "political and nationalist forms were forced on it," a direct refer-

ence to Serbia.

If Slovenia were to with-draw from the federation, the consequences for Yugoslavia would be, to say the least, unpredictable. If Yugoslavia unpredictable. If Yugoslavia does not introduce radical political reforms, say the Slovenes, the country's future will be undermined.

The debate, which could be resolved at a party congress due later this year, has only just begun. Slovenes are ore-

just begun. Slovenes are pre-paring for a long, hot summer of polemics and arguments with their southern neigh-



SCT Ljubljana's tunnel-boring crew met up with their Austrian colleagues on 28th May 1989

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#### FOREIGN POLICY

# A push to the West

YUGOSLAVIA IS re-orienting her foreign policy—not as dramstically as her Eastern European neighbours, but in ways which may construct a new mould within which her policies will be constrained. The new directions are:

The rapid lessening of East-West tension, bringing in its wake the need to reassess Yngo-slavia's position as one of the leaders of a "third way" between warring blocs — especially as a leader of the non-aligned nations. Equally rapid reform movements within the

Polish; Hungarian and (in a different way) Polish, Hungarian and (in a different way)
Soviet Communist parties throw into sharp
relief the relative conservation of the country's
League of Communists — once seen as the most
liberal of ruling Communist parties.

A recognition in the present Government that
the orientation must be westwards, specifically
towards the European Community — and the
beginning of study and debate about the possibility of an eyentual bid for membership.
Yuguslavia had, since the early 1950s, sought
to use the near-sligned movement of which it
was the founder as an active force in interna-

to use the non-aligned movement of which it was the founder as an active force in international relations — but one which renounced what it characterised as the aggressive and neocolomialist tendencies of the superpowers. It has been a difficult act among the main pressures upon it are the contradictory needs to avoid over-dependence on a West which has supplied control and a slide into decreasing they restorice of

upon it are the contradictory needs to avoid over-dependence on a West which has supplied capital, and a slide into denunciatory rhetoric of the West, which Cuba, among the non-aligned, sought to promote within the movement. Today, as hotel buildings rise at record speeds in New Beigrade to house the delegates to the non-aligned conference there in September, policy analysis and ministers concede — though not subjust a that the force has been one or not publicly—that the forum has less use now that the need for tight alignment to irredeemably hostile patrons is fading. Tito's creation is still not likely to be challenged fundamentally in a country where few politicians or bureaucrats (or cases) are without their portrait of the Marchal, but as the cult is gradually being rib. Marshal: but as the cult is gradually being mb-bled at, so the edifice will become less important, even in formal terms. In real terms, the action has already moved elsewhere.

Yugoslavia, as much as the capitalist countries, must come to terms with the implications of change. It has, since the death of Stalin, man-aged to keep reasonably good (if occasionally polemical) relations with most East European states - disturbed by such incidents as the capture, and subsequent murder, of livre Nagy, the Hungarian Prime Minister, on his departure-from the Yugoslav embassy in Budapest after the 1956 Soviet invasion. But it has always been rather superior to them, regarding their dependence on and copying of the Soviet Union as a sign of their ideological and political weakness.

Now, many in its political elite are forced to concede that the reform parties are in advance.

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artico recent object to essent a peri

of the League of Communists in the matter of political liberalisation, and that the pressure for change along - especially - Hungarian lines will be very great. Already, in the Slovene and to a lesser extent the Croatian League of Communists, the calls for political pluralism are growing (supported by the leadership in Slov-enia), and the examples of Hungary, Poland and even the Soviet Union cited.

This "socialist emulation" no longer carries with it any threat of coercion: a visit from

President Gorbachev last March — I've whole days — was reported as a friendly and open one, underscoring that the Soviet Union no longer regarded its system as a model. The "threat" is from below, as the citizenry sees the greater freedom of speech and action enjoyed by those they once thought of as relatively inhibited.

The Yngoslav push to the West stems from concerns — common to all eastern European economies — that the 1932 process will block off their experts and tend to isolate them in a technically backward, relatively impoverished culds-soc. It is in a better position — more open economically for longer, with a better (if still relatively inefficient) infrastructure and greater

expertise in foreign economic relations.

But Yugoslavia lags hadly behind all West Enropean countries — as Dr Tomislav Popovic, director of the Consortium of Economic Institutes, wrote in the Review of International Affairs in Merch, it trails "in all the important parameters — economic growth, structural adjustments (declining investment, productivity and capital formation), market stability and exports...Yugoslavia is a prisoner of the past...of the absence of the combined action of market

mechanisms and political democracy.

mechanisms and political democracy."

Dr Popovic heads a team now studying the process through which the European economy would have to pass in order to "ready" itself for eventual European integration.

Like other members of the Yugoslav political elite, he is aware that the Community does not wait for its accession: that the political and economic transformation would be vast — the more accine. Yugoslavia is a member of Comeconomic transmission would be vast the more so since Yugoslavia is a member of Comecon, with strong traffing links with the Soviet Union (with which it runs a very large surplus); and that many, probably most, politicians have barely thought through the possibilities, let

alone the consequences:
Yet, says Professor Oskar Kovac, a former Government minister, "we must convey the message to the Europeans that we ultimately see ourselves with them. Many conditions have to be fulfilled, but if this economic reform can be pulled off, it will make us much more compatible with European economies and with

There is a larger "but" hanging over this perspective, as it hangs over all political change in Yugoslavia. The existence of six autonomous republics, and the weakness of Government at repunics, and the weakness of Government at the federal level, means that Yugoslavia would, if it were to apply for EC membership in its present form, bring in six rather than one declation centres, each with a "natural" tendency to form its own relationship and make its own deals with Brussels. Even if the economic issues were capable of solution, this fundamental fact of Yngoslavian political life would tend to make European politicians and bureaucrats alike draw back in caution.

Foreign affairs have been, traditionally, the one preserve of the federal government. Now directions are changing, it may be able to use a new alignment as a lever on domestic change as Hungary and Poland seek to do - by arguing that structural change is essential for a re-orien-tation towards the Community. That consensus will be no easier to achieve than any other in the country, but it is now in the political air.

Judy Dempsey looks at the reform of the country's banking system

# The National Bank gets some clout

THE BANKING system of Yugoslavia is undergoing one of the most far-reaching reforms since the Second World War.

But while some of the reforms will lead to the creation of a capital market, bankers believe other changes will be "complex and painful."

The reforms, designed to invest the National Bank of Yugoslavia with far greater

Yugoslavia with far greater powers and a wider degree of independence, go in tandem with the phasing out of the "internal" banks.

This will have two effects. Enterprises will in future have to stand on their own feet. But of greater significance, political influence will be watered down in the day-to-day running of the banks.

That, at least is the hope of Mr Vulcasin Markovic, who is one of the vice-governors of the National Bank of Yugoslavia

His view, shared by other bankers, is that in the past, much say in the banks.

This was hardly surprising under the outgoing system, whereby enterprises could set.

up banks within their own Predictably, the directors of these large enterprises were on the banks' boards. As a result, they could grant themselves

credits at very low interest

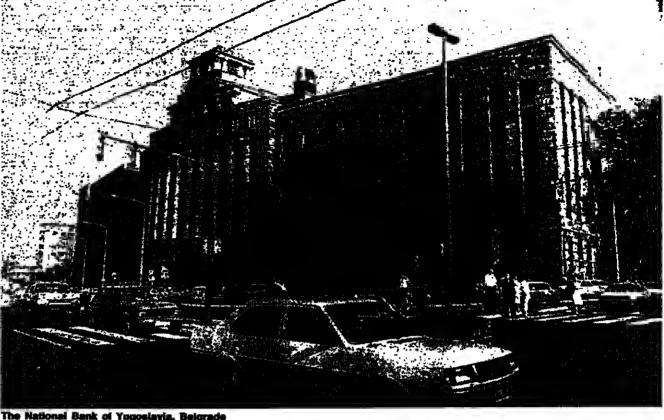
These internal banks, as they were called, were founded on the reserves of the enterprises. But experience has shown that in many cases, many of those same enterprises were themselves in debt. In effect, they ended up drawing on their own banks, which in turn had to borrow from other banks.
The example of the scandal

surrounding Agrokomerc, the giant enterprise in the republic of Bosnia-Hercegovina, serves as a poignant reminder to Yugov bankers and economists of the necessity to push through

these radical measures.

During 1987, Agrokomerc issued unbacked promissory notes worth Dinars 50,000bn, a move which precipitated the. liscussions to reform the banking system.
The problem was that there

were no checks and balances built into the banking system,"



The National Bank of Yugoslavia, Belgrade

mys one official from Now the NBJ proposes to remedy that. Yet at the same time, Mr Markovic recognises that the break-up of the internal banks will cause

Enterprise directors could give themselves credit at low rates

For one thing, enterprises will no longer have easy access to credits. For another, some are expected to go bankrupt. However, as the internal banks are phased out, the NBJ is planning to introduce a new system, which it will monitor tightly.

New banks, authorised by the NBJ, will be set up but on the basis of fulfilling two-conditions. First, the minimum capital formation should be Vugnelay Dinars 20hn

(US\$150m). Second, at least 10 enterprises should contribute to this start-up capital. Some sceptics argue that these new banks would soon become "manipulated" by the

enternrises. Not so, says Mr Markovic. The idea is that the banks' board of directors would not consist of the enterprise directors but of bankers.

"This time, the assembly of the bank will no longer be able to authorise credits or pass decisions — that is, business decisions — that is, business decisions, says Mr Markovic. "The assembly will nominate

an executive board. But their powers will be reduced," says Mr Markovic. "The founders of the banks will no longer be able to grant themselves credits. These banks will not be money supermarkets." Moreover, to keep a check on large borrowing from the enterprises, the NBJ is now proposing a law whereby no more than 20 to 50 per cent of

borrower The NBJ reckons there will be some teething problems between the break-up of the internal banks and the introduction of the new banks. It expects some of the internal

banks to go into receivership,

the total reserves can be

while others could merge with bigger banks. Indeed, Mr Markovic is anxious to point out that in future, the NBJ will have no qualms in calling in the receivers if banks cannot meet their obligations to clients on three

consecutive days.

Another radical reform on the agenda is the plan to issue shares which will eventually lead to the creation of a securi-

One of the aims would be to mop up the huge amount of savings in the country. But it would also make funds more mobile, it is thought.
We have to have mixed

capital for the social and pri-

vate sector," says Mr Boris Konte, a vice-governor of the NBJ. "Since that is the case, we also have to gradually build up a securities market whereby the enterprises can issue or trade in their shares." Indeed, Mr Markovic and Mr

On the agenda is the eventual creation of a securities market

Konte even envisage the setting up of private banks, in which 99 per cent of the total capital could be held in private

Both bankers believe the new laws will be ready to be implemented by the end of the year. Both recognise the difficulties involved. But with greater independence granted the Yugoslav banking system is slowly but surely stepping on to sounder ground





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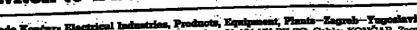
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# Removing barriers between workers and the market

WORKERS' self-management omy." Edvard Kardelj, from has been put at the core of the war till his death in 1979 has been put at the core of socialism: the guarantee both that it will not lapse back into Soviet bureau-cratism, and that it will develop a more direct and powerful version of democracy than the multi-party systems of capitalism, which Tito saw simply as reflacting class

He described it as a "system where the producers themselves manage the means of production and participate in

the main defender of the party line, contrasted the Soviet command system which "made every individual person and every working collective the blind executor of mysterious technocratic plans frequently and essentially unknown to the people at large" with the Yugoslav system, where "the working man and the work community of which he is a component part (is placed) as fully as possible in a position enabling him to influence his

working conditions..."
It is a tribute to these ideas that, as the command economy is widely discredited within reformist Communist parties, workers' self-management retains a certain bold on most strands of opinion within Yugoslavia. But it is now set to change fundamentally: and an early indgement should be made as to whether it is likely to sttain a new and more efficient state of development (as many claim) or to mutate into a system with similarities to co-determination and other

forms of workers' participation in the West - forms which co-exist relatively easily with, even where they modify, the workings of the capitalist company. In the political and policy debates of the 1980s on the causes of Yugoslav economic stagnation, problems and con-tradictions within the self-management system were identi-

These included: a lack of workplace discipline: a "monopoly on jobs", that is, "monopoly on jobs", that is, no one could be fired; the dilution of the system as originally conceived by constant intervention by local and republican party and administrative bodies; management becoming increasingly unaccountable to the workers and to consumers; a aystem of "ownership" in which, since everyone owned everything, no-one owned any-thing and thus responsibility tended to be passed about and entarprises treated as little social microcosms, expected to act as welfare and housing agencies as well as husinesses. The way In which these problems have been couched logical restrictions on debate - has been to claim that the self-management system as originally conceived worked well but was bureaucratised in the 1960s and 1970s. Dr Tomislav Popovic, chairman of the consortium of economic institutes, says that "politicians and managers simply avoided real market pressures. The consequences of that were that we have failed to give workers the industrial culture which

A system of 'ownership' In which, since everyone owned everything, no-one owned anything

they have in developed coun-

The key to reform has thus been seen as removing the bar-riers and shields which separated the workers from the market - and to expose them to its pressures and needs. The new labour law (which replaces the associated labour law), the enterprise law and the law on accounting procedures are wbolly or in part aimed at this goal

The main measures are:

to restore workplace discipline by making it easier — in



Workers cast their votes in elections for self-managing bodies at the ITM factory near Beigrade

effect, possible - for management to hire and fire, to move from one job to another and to change job specifications. party and administrative organs are formally prohibited from intervening in enterprise

I there is to be a clear delineation between the general run-ning costs of an enterprise and the cost of labour. wages are to be divided into

two components: a basic wage, below which pay cannot sink; and a profit-related bonus an idea borrowed from Japan. Or Juri Bajc, an economist working for the Central Com-mittee of the Serbian League of Communists, says: The mar-ket in labour has been more or less accepted." This claim means that a fundamental shift has occurred, or is about to. If labour - as is now claimed is to become a commodity, with its tenure on a job dictated by efficiency which in turn is judged by a relatively autonomous management, bow

is it deemed to be "self-managed"?
The answer given is this: that since the buffers surrounding enterprises will be stripped away and it will become clear that success on the market is its only hope of survival and growth, the workers' council in each company will realise that it is on profits which their standard of living will depend. They will thus appoint and back managers who take all rational steps to promote the efficiency and profitability of the enterprises

including better discipline,
firing the inefficient who are a

better training, higher quality and a more consumer-directed It does not to western ears sound like the kind of thing of which the trade unions would approve and at first, they did not. Mr Zvonimir Hrabar, a former president of the Confeder-ation of Trade Unions and now a member of its governing council, says: "The members saw it in a negative way - as leading to redundancies. In part, we were to blame for this, because that's how many in the leadership saw it."

drag on the rest and promoting

Remarkably (for the western conception of a trade unionist) be adds: The problem of all socialist countries has been that a job was guaranteed whether or not the worker is

The first steps have been taken. If this reform does not take root, much else in the economic and social programme falls, too.

up to it.
"Now, the management will have more responsibilities and more authority - but so will the workers' council. They will be able to fire him if he doesn't perform. That should have been the case before but in

practice it wasn't." Further, the unions see the changes as a possibility - or a necessity - for them to renew themselves. A bureaucratised system of workers' control meant that they had few functions beyond a general educational one: bargaining was out, since the workers' councils themselves determined - at least in theory - wages and conditions. Now, with the intended growth of the private and mixed sector, collective

bargaining will spread - even, thinks Mr Hrabar, Into the

"socially owned" sector.
This has meant that the unions themselves are changing their structure, going out to their members, trying to trim away their own burean-cratic encumbrances, seeking full independence from the League of Communists by which they have been - and still to an extent are - dominated. (Nearly all officials, and all higher officials, are league members)

The pace of change in decen-tralised, federally weak Yugo-slavia is slow and spasmodic: and on a matter as fundamen-tal to the state's self-definition as this, it will be at least as slow as usual. We have described potential, rather than actual, change. Critics of the economic referm, such as Dr Oskar Kovac of Budapest University (a former Govern-ment minister and adviser) believe the measures are still too vague and contradictory, and that foreign capital — on the need for which there is a consensus — will demand fur-ther clarification before trust-ing the law ing the law.

But the first ideological and legal steps have been taken. If this reform does not take root, much else in the economic and



work community of which he is a component part (ta placed) as fully as possible in a position enabling him to influence his working conditions'..." The picture shows coal miners In the Kolubara Mine, near Belgrade



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EXTERNAL FINANCE

# Stand-by deal with IMF supports World Bank loan

BY THE time this aurvey appears, Yugoslavia should have reached agreement with the International Monetary Fund, and the World Bank, on their relations in the years to come. The centreplece is a new 18-month stand-by arrange-ment with the IMF, involving a \$500m credit to be paid in tranches, and supporting arrangements and understand-ings with the World Bank.

The Bank is ready to increase lending to Yugoslavia to the tune of \$600-800m a year. Half of that would be project financing, while the other half would be used to consolidate the country's financial system. Yugoslavia will get a new structural adjustment loan of \$300-400m in two tranches, in September of this year and

early next year.

The first structural loan, of \$275m some five years ago, has been a success. With recycling, it has contributed more than a billion dollars to financing export-oriented programmes of

Yugoslav firms.
As its political leaders stress the country has no urgent need of the stand-by credit: the arrangement bas other aims than simply the use of the half billion dollars. First, the Paris Club and commercial bank creditors as well as the World Bank insisted on the Fund giving the green light for their future arrangements with in the country itself to leave monetary, credit and other pol-icies loose instead of tightening them in order to fight inflation can be better resisted if the Government has to bonour international obligations.

The external financial situation of Yugoslavia bas improved considerably in the last few years. The current balance of payments has shown increasing surpluses since 1933 (see table), and it is already clear that that will be the case this year as well. Reserves bave also baen

going up in recent years, so that at end-1988 they stood at \$3.3bn. They could increase to nearly \$5bn by the end of this Debt servicing had been a

serious problem until last year, when rescheduling took place

with commercial banks and the Paris Club (plus Kuwait).

That reduced its ratio from some \$2.4bn. That is in addiover 40 per cent of export earn-

tion to the \$3.3bn that other

Curre	ent bak	ance o	f payn	rents (i	n \$m)	
1982	1983	1984	1983	1986	1987	1960
-464	274	504	533	1,100	1,248	2,400

ings to some 23 per cent, which is seen as bearable. Yngo-slavia's external debt amounts slavia'a external debt amounts to some 40 per cent of its social product, which is less than in most other heavily indebted countries. Hard currency debt equals some 130-140 per cent of annual hard currency earn-ings, also better than in many other debtor countries in the same group.

1981

-750

same group.
At end-1968, Yugoslav hard currency external medium and long-term debt amounted to \$17.77bn. Out of that, \$4.258bn was debt to international

The market value of Yugoslav debt has started going up

financial institutions (\$1,513bn to the IMF, \$1.844bn to the World Bank, and \$901m to others, as the European Investment Bank), \$5.88bn was debt to the Paris Chub countries and Knwait, \$7.16bn debt to commercial banks, and \$468m to

other creditors. Paris Club countries rescheduled the debt (with the cut-off date of December 1982) to June 30 of this year, and commercial bank creditors to 1996 (the cut-off date was January 17 1983). Debt acquired after the cut-off dates has been regularly repaid, so that the total was

reduced from \$19.1bn at end-

1987 to \$17.77bn.

Other countries owed Yugoslavia close to \$3.3bn at the end of 1988. In theory, that means that Yugoslav net debt amounted only to some \$14.5bn. However, there have been serious problems in persuading some debtors to pay their debt, both the principal and interest, so that the real value of the country's claims is much below the nominal

Yugoslavia has accumulated

oped countries, owe Yugosiavia. Short-term credits taken abroad were reduced from \$1.3bn to \$1.1bn between end-1987 and end-1988. So far this year, they have been further reduced by some \$380m. That is not likely to continue, although it had been projected that they should be reduced by a total of \$740m this year. External debt has in part

countries, mainly less-devel-

been reduced through various debt conversion schemes, like debt for equity and other

swaps.
So far, some \$400m has been convarted. Howevar, only smaller banks have been pre-pared to sell Yugoslav debt below its face value (mostly at 4448 per cent). Larger banks still hope to recover most of it.

With confidence rising since Mr Ante Markovic, the Prime Minister, formed his cabinet and began to introduce reforms, the market value of the Yugoslav debt has started

the Yugoslav debt has started going up and investors will have to pay more for it.
Yugoslavia still hopes that the Brady Plan or similar schemes may help it in reducing the debt burden. To most observers however it has been clear that Yugoslavia is low on the priority list, Latin American countries being first. So it will have to wait for attention will have to wait for attention. Yugoslavia does not, how-

ever, intend emulating Romania and paying off its debt at any cost, even at the expense of its future develop-ment. On the contrary, it wants to get fresh money to finance new investments in manufacturing and other industries, infrastructure and other fields. It will not shy sway from taking financial loans but it clearly favours direct investment in joint ventures, fully owned foreign

Aleksandar Lebi

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#### FOREIGN TRADE

# Imports on the rise; exports growth below expectations

YUGOSLAVIA HAS been liberalising imports, as it has prices, the foreign exchange market and other areas. When that process started last May, only 11 per cent of imports were free. By this month that had gone up to 65 per cent, and it will continue that way. In the first five months of this year compared with the same period last year, total imports increased by 10.7 per cent, and imports paid for in hard currency by 20.5 per cent.

That has been one of the most significant: changes recently. It has somewhat reduced the hard currency exports to imports ratio, from 162.4 per cent to 87.4 per cent, but it produced beneficial effects. Manufacturing industries have been well supplied with temorted raw and inter-

tries have been well supplied with imported raw and intermediate materials, which ena-bled them to increase output and their own exports.

Two other important targets

have not yet been met to increase substantially imports of equipment so as to speed up the modernisation and restructuring of the economy, and also to import more consumer goods and thereby cre-ate efficient competition for domestic industries, which often enjoy a monopolistic position in the Yugoslav mar-ket. Both registered some growth, but it was not enough.

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As can be seen from the US, mainly due to reduced this, exports heve been sales of ships and especially of table, exports heve been increasing as well, although not at the desired pace. Still, what with export growth and with invisible earnings, the current balance of payments will have a surplus this year as well, perhaps not as much as projected late last year. In view of rising debt servicing cost, due to higher interest rates, as

Factory gate prices 125.00 Retail prices 123.4 Cost of living 122.7

Yugo cars. It is hoped that after Yugo America's house is put in order, sales will resume the upward trend of two years ago, with several new models. Foreign trade is expected to

es much as ear. In view vicing cost, est rates, as	new legislatio economic rela	n in the external tions field comes has been expec-
May 1989- M	gy-1089- Jan-M	i) May 1989 lay 89- May 1989-
April 1969 M	my 1986 Jan-M	lay 88 Dec 1988

well as the somewhat higher than expected hard currency trade deficit(\$1.775bn instead of

trade depiction. 1750m messad of \$1.5850m) projections will have to be slightly revised.

Trade results could be viewed in an even better light. In the first months of last year, there was high growth in foreign trade, which naturally reflects to this year, was a refer of the results. reflects in this years rate of growth, while this year, the stronger dollar statistically "undervalues" Yngoslav for-eign trade, by 4 per cent on the export side and 5 per cent on the import side.

The overall favourable picture has been somewhat mar-red by the fall of exports to the

ted to be passed by Parliament soon. The legislation comprises a new foreign trade act, foreign

exchange act, and external credit relations act.

As Mr Zivko Pregi, vice-premier in charge of the economic system, described them, these acts have distinctive characteristics from current law. They replace seven pieces of legisla-tion, and comprise only half the number of articles. The number of by-laws accompany-ing them will be reduced by some 40 per cent. At the same time the quality and transpar-ency will be improved. The underlying philosophy will be deregulation and the market

In practice, that means that firms in all economic sectors — socially-owned, state, co-opera-tive, private and mixed — will have the same rights to con-duct foreign trade, and the same access to foreign exchange. Rates of exchange will be based on supply and demand, with the central bank intervening, especially in the initial period. Gradually, deal-

trade from falling (Soviet exports have remained unchanged by volume but decreased by value). Restrictions on the Yugoslav side would be unpopular with industries and regions oriented

industries and regions oriented towards the Soviet Union.
Part of the surplus, \$550m, has been converted into a loan. Yugoslav firms have been trying to locate Soviet products which they could import. Also envisaged has been to offset part of Soviet credits to various Yugoslav firms for part of ous Yugoslav firms for part of the Yugoslav surplus. The Soviet Union has introduced a special system of import licences for firms buying Yugo-slav (and Finnish) non-strate-

gic goods.
The Yugoslav Government has been introducing or considering measures both to dis-Soviet Union and importers from that country. The first group comprises a different determination of the exchange rate for the clearing dollar. Last year it was 5 per cent lower than the convertible dollar, while this year it will depend on supply and demand. The central bank will switch to paying for those dollars earned by exporters after 60 days, instead of immediately after presentation of documents, which has been highly infla-tionary. The second group, encouraging imports, com-prises giving 60-day credits to importers, extending product lists for trade and some other

The Belgrade Government would like to change the payment agreement so that all sur plus going beyond the agreed credit is transformed into interest-bearing loans, In the long run it would like to end

FOREIGN TRADE (in US\$m)				
	January-May	1988	January-May 198	9 change (%)
Exports (total)	4,868		5,018	+3.1
Hard currency	3,724		3,830	+28
Belance.	1.144		1,188	+3.8
Imports (total)	4,881		5,401	+10.7
Hard currency	3.638		4,383	+20.5
Balance	1,243		1,018	-18.1

ines in foreign currency by resings in foreign currency by residents will be legalised.
So far this year the National Bank of Yugoslavia has purchased more foreign exchange in the inter-bank Forex market than it has sold. Some difficulties with liquidity at the start of the year have been overcome. The decision of the Federal Government to lift all

eral Government to lift all restrictions on withdrawals of foreign currency from banking accounts that Yugoslavs have in local banks has stopped excessive withdrawals, and inflows again exceed withdraw-

ars.
The major problem of Yugoalay foreign trade remains its
large accumulated surplus, of
some \$2.4bn, with the Soviet
Union caused by the drop of oil
and-gas prices. Remedial actions have been undertaken by both countries, which have

clearing and switch to hard currency payments. It is against administrative measures and resisted proposals to emulate the Soviet Union in

Mr Franc Horvat, the super minister for external economic affairs, told the Financial Times he believes that the new Times he believes that the new joint ventures act, passed at end-1988, will greatly contribute to the economic development of Yugoslavia, and especially to its exports.

He is, of course, aware that this piece of legislation cannot achieve that alone but only in combination with other new legislation and a fall in inflation. But he hones that things

tion. But he hopes that things will start changing for the bet-ter late this year, and certainly next year.

Alexsandar Lebi



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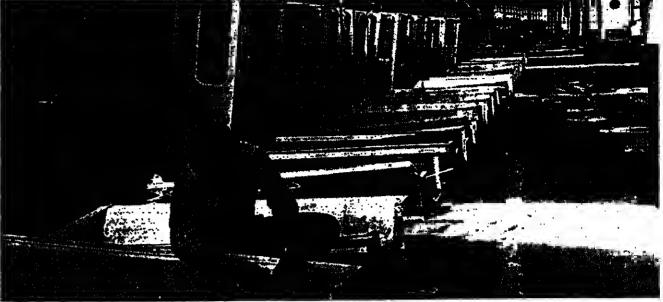


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A worker from the Gosa industrial plant in Smederovska Palanka, Serbia, helping to finish a line of railway wagons for exp

#### INDUSTRIAL OUTPUT

# Cutbacks are on the way

dustrial output in Yugoslavia has been going up, after years of near-stagnation.

In the first five months of this year it was 3.1 per cent up on the same period in 1988, and in May it rose by 4 per cent. This has enabled Yugoslavia to increase its exports, while at the same time keeping the domestic market well supplied. Mr Mieczislaw Rakowski, the Polish Prime Minister, after he strolled through Belgrade dur-ing a visit two months ago, reportedly said to his host, Mr Ante Markovic, that the Poles

have money but nothing to buy, while the Yugoslavs can buy everything but have no As far as the Yugoslavs are concerned, that is not quite true. Many of them have enough money to buy what-ever they want. In fact, there is no problem in selling two categories of goods; basic food-stuffs and other essentials, and

the highest quality and most

expensive products, locally

made or imported. However, it is questionable for how long industry will be able to increase its output. Mr Markovic and his cabinet col-leagues were jokingly offered the Nobel Prize for Economics if they succeeded in reducing inflation, at the same time as increasing production. Their

critics accuse them of ignoring a basic tenet of anti-inflation-ary policy: that one cannot suc-cessfully do both.

In fact, the Yugoslav Govern-ment is well aware of the

necessity to sacrifice growth in order to lower inflation and thus achieve sustained, stable growth. The only question is by how much growth will fall when biting reform measures are fully applied, which will be

What Yugoslav industry badly needs, in addition to get-ting rid of inflation, is modern-isation and restructuring. For that, considerable investments are necessary, whereas the country's capital formation is too small. Therefore foreign capital, preferably in the form of joint veutures, has been lured with promises of good

One industry which has been short of capital although it has been a big foreign exchange earner is the textile industry. It is unlikely, however, to attract a large share of foreign investments, which are more likely to go to tourism, agriculture or

The Yugoslav textile indus-try accounts for 17.3 per cent ofindustrial employment, has a 10.2 per cent share in the social product, and some 9 per cent in total exports. There are more than 400 companies, with a

labour force of 475,000.

All the indicators in the past couple of years point to its lag-ging behind the averages of Yugoslav processing industries. Rates of growth of output and exports have been lower, as has been the capital forma-tion rate. At the same time, losses have been higher. The industry also has problems with raw materials, 70 per cent

of which have been imported. When the reforms start taking effect, many textile compa-nies will go bankrupt. The industry's association within the Recouomic Chamber of Yugoslavia estimates that some 15 per cent will go to the wall. Some 10,000 workers a year could be made redundant

The survivors will be better suited for competition at home and abroad. Even now, quite a few companies are competitive in the global context, including such difficult markets as the European Community and the US. Streamlining should improve their chances.

The industry hopes that industrialised countries will not put up new protectionist barriers or increase existing ones, as has been the case in the EC or the US. With them, as well as with some other countries, such as the mem-bers of Effa, Yugoslavia has signed agreements on "volumtary" export restrictions. Quotas have been established for Yugoslav imports in the EC (12 items) and the US (two in 1982, going up to 23 items in 1989). Until a few years ago, half of Yugoslavia's textile exports were sold to Comecon, espe-cially the Soviet Union. Now the ratio of exports to the West and East is about 2:1. The industry hopes to be able to maintain that or even improve on it. That does not depend on its efforts alone regarding quality, design, marketing and the like, but also on the goodwill of

If the Yugoslav textile industry succeeds in increasing hard currency exports, it will be able to carry out its ambitious investment programme of some \$1bn in order to modern-ise. And if that happens, a market will be created for export-ing textile machinery to

Its own resources being inad-equate to import raw and intermediate materials and equipment, the Yugoslav textile industry has started using its spare capacity and relatively cheap labour to process foreign partners' materials, and re-export the finished products. This "outward" processing traffic added \$430m to its own exports worth \$920m last year.

Aleksander Lebi

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Folk art, music, architecture: all appeal to the holidaymaker

# A beautiful country, despite the scowling waiters

AT AN open-air cafe in the historic coastal town of Spllt, a family of West German holidaymakers contentedly watch the busy scene. "We've been coming here every summer for eight years now," says the mother, as her husband laboriously counts out a stack of paper money for the bill. "It's near, it's beautiful, it's unpolluted and it's cheap.

But it's not as cheap as it was on their first trip, as the pile of notes on the table shows. With galloping infla-tion, rising real prices and a widening economic gulf between the tourist coast and inland, Yngoslavia is losing ground against rival South European holiday destinations in Greece, Portugal and Turkey. But Yugoslavia will always have something special to offer: a great variety of natural scenery and cultures within

Split Itself, on the Croatian cast, shows the traces of 17 centuries of continuous habitation by successive neoples. The late Roman imperial architecture of Diocletian's palace con-trasts with the Byzantine influences of the 11th century and the twisted streets of the Mid-

Along with the popular towns of Split, Dubrovnik and Kotor, there are over 50 historic centres on the eastern

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the fortified medieval town of and the outside world. Of all not help, for example, when the telephones do not work, settlement of Ulcinj dates back to antiquity, Trogir near Split offers a well-preserved medieval centre, while Roving boasts several fine baroque buildings. The Ottoman threat has left its legacy in the well-defended island town of Sveti

All one's frustrations with Serbian bus timetables melt away with the music

Stefan. Only a short distance inland, the Mediterranean styles mingle with the Islamic influences that penetrated far westwards along the valley of the River Neretva. The most famous example is the Otto-man heritage of Mostar, with its distinctive bridge.

Besides the coast and ski-elopes, Yogoslavia offers an extraordinary juxtaposition of cultures from the Austro-Hun-garian efficiency of the Slove-nian north to the Serbian Orthodox rituals of the south. Unfortunately, this variety has turned the country into a brew of rival nationalist passions tead of a cultural meiting-

Above all, the upsurge of aggressive Serbian nationalism alarms the rest of Yugoslavia

Korcula where, according to legend, Marco Polo, the famous traveller, was born

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received the most international censure in recent months. All the more reason to tour the nation of Serbia and to learn what makes it unique.

The visitor will soon find that behind the ugly face of nationalism lies a justified pride in a rich and enduring culture. There is the folk art, the religion, the architecture, but above all, there is the

At a wedding in the east Serbian town of Pirot, the band of accordions and guitars plays song after song as the rowdy guests join in with the tradi-tional words of love and bat-tles. The music is a microcosm of Serbia herself and her turbulent history. The rhythms and harmonies bear the traces of successive cultural influences: Turkish, Central European and transatlantic pop music.

A group of gypsy musicians arrives in the smoky hall, with battered instruments and noisy arguments in the Romany language. The music superimposes an idiosyncratic nasal style of singing on Macedonian rhythms. Listening to the music late into the night, all one's frustrations with Socialist hotels and Serbian bus timetables melt away.

Yugoslav tourism flourishes thanks to the country's indigenous merits and despite the shortcomings of the tourist infrastructure. It certainly does

the electricity cuts off and the Montenegrin hotels donble-book. The industry cannot afford to he too inefficient, what with rising real prices, increased foreign competition and a desperate need for hard CULTERCY

The West German family in Split complains about the unsmiling waiters and surly hotel clerks. The consumer will come last, as long as the socially-owned sector of the Yugo-slav economy lacks the com-mercial ideas of profit and competition.

Joanna Newman

THE YEAR appeared to open well for the tourist industry. The number of foreign visitors rose by 7.1 per cent, and they made 5.6 per cent more overnight stays, spending \$339.6m

— 31 per cent more than in the same period of 1988.

But the first four months usually represent only 5 or 6 per cent of total annual over-night stays, while foreign exchange earnings from tourism in that period also comprise some payments received from tour-operators for services rendered last year.

Disappointment came with

the June figures, which showed a downward slide on those earlier months. The first week was particularly bad, with 12 per cent fewer foreign visitors than in June 1988. After two weeks, that improved to some 6 per cent fewer foreign tourists. It is reported that bookings are reported that bookings are falling off from several coun-tries - especially West Ger-many, which is still the largest source of guests. This has introduced an element of uncertainty about the outcome of this year's tourist conserva-

of this year's tourist season. Mr Franc Horvat, Federal Secretary for External Economic Relations, (who after the Federal Government reorganisation of last March is now in charge of trade, joint ventures and tourism) told the Financial Times that he hoped the season would not be worse than last year as far as the number of visitors is concerned - overnight stays in



The ancient church in Kotor (picture: Trevor Humphries)





#### TOURIST INDUSTRY

#### Foreign capital needed

and that the country would improve on the foreign currency taken in from tourism, which was more than \$2hn officially and \$3.5bn, as esti-mated by the Tourist Federation of Yogoslavia.

The cause for concern, and the close watch on figures, is an index of the importance of the industry to the country's economy. Earnings from foreign tourists represent some 5 per cent of the aggregate social product of the country, and account for 10-12 per cent of total foreign exchange earnings. The industry provides jobs for some 3.5 per cent of the Yugoslav workforce.

It could do more, with more investment. By the end of the

century, its foreign exchange revenue could triple if capaci

revenue could triple if capacities were increased, quality improved (which would also justify higher prices), infrastructure built, and management and marketing recognised as key factors in the industry'e development.

For this year's season the Yugoslav tourist industry added only some 6,000 hotel beds. Sports and recreation facilities were also built and some improvements made in infrastructure - but etill lagged far behind demand.

The main reason for this slow development has been a lack of resources. Now the authorities have started to authorities have started to attract foreign capital for

Potential foreign investors have been more interested in

tions have been under way for the construction of several hotels both on the coast and inland, including some de luxe category hotels (Hyatt has a joint venture based on a debifor-equity swap, and its hotel in Belgrade will be finished in under eight months, before the September non-aligned summit. It will be managed by Hyatt's own people).

Several foreign groups have been preparing feasibility studies for the construction of new motorways, especially along the Adriatic Coast as well as between the Austrian border south of Graz, and

offered, which include not only the exploitation of motor-ways themselves but also of petrol stations, motels and other facilities alongside them. Another field for investment of foreign capital has been marinas. Yngoslavia had a total of 35 marinas at the end of 1988 (33 in Croatia and two in Slovenia) with just under 16,000 moorings. Nearly

139,000 vessels - yachts, sailing hoats and others - used them last year, 92 per cent under foreign flags. Those of Germany, Italy and Austria prevailed, but there

were also 4,592 British vessel Some British subjects spend most of the year in their yachts moored in or near larger towns like Split, and have almost become their

citizens. Yugoslavia'e coastline, with its many islands, means that many more marines could be built and more vessels accommodated throughout the year. In 1988, marinas had a revenne of some Dinars 75.2bn (\$14.4m at the end-year exchange rate), of which 66 per cent went on foreign exchange. The potential for carning more is good.

Like other Yugoslav indus-tries, tourism has to prepare for the single European market from 1992, and thew new regulations which will flow from it: some 79 per cent of foreign tourism come from of foreign tourists come from the EC. The country must build an integrated information system for hotel beds, travel and other information, and link it to the unified European system. It has to adopt a categorisation and classifica-tion system for hotels compati-ble with European standards. Among other important con-siderations are the abelition of

visas where they still exist, simplification of customs for-malities, possibly introducing special "nothing to declare" road lanes at the border, intro-duction of health insurance policies for tourists, assuring re-transfer of dinars exchanged for foreign currency and the provision of off-season relates for transport of foreign tourists.

Aleksander Lebi

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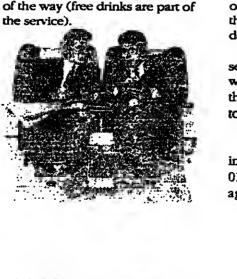
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The industry provides jobs for some 3.5% of the workforce

direct investment not only in building tourist facilities such as hotels but also for infras-tructural projects such as road

tourism than in any other Yugoslav industry. Negotia-



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As with all broad questions of pay, a definite answer can-not be found. But clues are appearing as organisations which conduct salary surveys extend their studies in anticipation of a growing demand for information on pay rates throughout Europe from 1992. The latest example — and

source of the accompanying table – was published this week by the European Remu-neration Network. The network is a new consortium of seven consultancies based in, or with branches in, the countries covered by the survey: Belgium, France, Ireland, Italy, the Netherlands, Switzerland, West Germany and the United

The table compares the pay of three kinds of executive -heads of finance and of production as well as managing direc-tors — in companies with no more than 100 employees, and in those with between 250 and

But before discussing the fig-ures, it is important to note factors which require that the-results of all pay surveys be interpreted with caution. Since the network's study draws its information from

sample of executives. But, as in all such studies, it cannot pro-vide more than loose indicators of the real state of pay and

Even with jobs which can be efined as virtually identical, the rewards vary in too many ways for surveys to measure accurately.

The variable factors include the size of the employing organisation, its economic sector, and the district - let alone the country - where it is sited. Provided the results are interpreted broadly, however, they do offer an approximate guide to international differ-

guide to international differences in the going rates for different types of enacutives.

The indicators in the table are reached by taking a "benchmark" job-holder — the median executive who comes precisely mid way in a ranking by pay of all in the same kind of work in the same country.

For each type of job, in each For each type of job, in each size of company, in each land, the table shows the median person's basic salary, total rewards received in money, and "buving power" - which and "buying power" - which is calculated in two

The first is to deduct from the total money rewards the country's regular tax and 2,673 companies employing social security charges for a nearly 30,000 managerial staff, person of that income level it has the advantage of being who is married with two

The resulting net pay figure is then converted into buying power by adjusting it in line with international differences in living costs, with the excep-tion of outlays on housing which vary too much from place to place for the surveys

The continental currencies have been converted to sterling at the London closing rates on June 23, and the countries are ranked by the buying power of the median head of finance in the company with 250-1,000

By that measure, the best earnings prospects for financial managers are offered by France, with Switzerland, Italy, and West Germany taking the next three places. Another thing those countries have in common is that more often than not the heads of finance are paid less than the heads of production.

In Switzerland and Italy the median production chief is bet-ter rewarded than the finance equivalent in both sizes of companies. In France and West Germany the same applies only in the 250-1,000 employee By contrast, in the four

other countries, including the UK, the head of finance is consistently better paid than the production chief. The fact that the same four countries also

Managing director FRANCE 62,879 65,429 73,569 55 923 Head of production 36,383 33,026 37:980 29,464 34,274 38,387 28,780 46,284 45,119 34,370 77,469 51,390 47,939 Managing director 53,691 61,745 38,057 93,193 53,241 41,035 37,584 56,759 51,774 Head of production 35,660 33,135 36,817 25,185 65,548 51,419 Managing director 71,464 49,694 **46,947** 80,045 60,745 43,598 55,891 Head of production 29,578 28,550 32,825 47,705 52,427 30,790 62,288 71,605 41,021 84,708 42,864 W. GERMANY Managing director Head of production 28,463 Head of finance 40,461 58,480 44,152 42,590 NETHERLANDS 52,632 40,938 31,505 25,702 Managing director 35,088 47,953 45,614 Head of production 38,474 51,458 33,778 31,346 Managing director 32,500 40,042 27,909 34,837 25,652 17,480 27,278 18,153 18,886 30,287 29,848 23,982 Head of production 66,373 75,059 Managing director 39,622 33,203 50,700 18,909 39,308 39,638 42,950 41,570

26.861

28.822

22,847

20,925

26,861

31.634

SENIOR MANAGERS' PAY IN SMALL AND MEDIUM-SIZED COMPANIES

Up to 100 employees

Basic All cash Buying

rewards power

have the lowest rewards for managing directors as well as

the two other types of execu-tives, surely begs the question of whether those two factors are connected. To compensate the UK finan-

finance chiefs in Britain comcial managers for their rela-tively poor place in the pared with 78 per cent in the Netherlands, 73 per cent in

Head of production

Managing director

Head of production

Italy, 66 per cent in Belgium, 68 per cent in France, 62 per cent in Ireland, 58 per cent in money-pay league, far more of them than their continental counterparts had company Germany, and only 28 per cent in Switzerland.

43,937

m Switzeriand.

Remuneration in Europe.

500. Available from P-E Inducon, Park House, Wick Rd,
Egham, Surrey TW20 0HW.

250-1,000 employees

salary

All ceah Buying

rewards power

22,211

24,749

47.803

29,613

### SENIOR ACCOUNTANT

**CENTRAL LONDON** c£26,000 PACKAGE

Our client is a highly successful and rapidly expanding private group involved with meat and produce importation

With a current turnover in excess of £120 million and projected to double within two years with additional acquisitions being considered in the UK and Europe, the Group has created a key new position of Chief Account reporting to the Financial Controller.

Candidates should be qualified accountants and will have full responsibility for the preparation of management and financial accounts, budget and cash flow statements, monitoring working capital, overheads and expen They should have confidence, maturity of technical abilities and be familiar with computerised systems, and possess good interpersonal skills.

This is a "shirt sleeves" role which will appeal to those individuals who are flexible and like to lead by example. It tion within fers serious scope for genuine career progres the Group, and an attractive remuneration package.

If you believe you have the interest and the qualifications to meet this exciting appointment, please send your CV and a covering letter including day-time telephone number quoting ref: FT119 to: J.David Preston

ROBSON RHODES

Chartered Accountants

Management Consultancy Division. 186 City Road, London, EC1V 2NU.

#### ACCOUNTANCY APPOINTMENTS

**Prestigious Investment Management Group** 

# FINANCIAL DIRECTOR

City

Package circa \$80,000

c.£26,000 + car

A Reviewing and developing reporting systems

A Parforming specific financial projects

The company offers an attractive remuneration package together with genuine

Interested candidates should apply in writing, enclosing a comprehensive CV to: Colin MacKay C.A., Douglas Llambias Associates, 163A Bath Street, Glasgow G2 4SQ. Tel: 041-226 3101.

career prospects, and relocation expenses will be paid where appropriate.

Our client, one of the most respected names in investment Management is among the leaders by size and performance. It constitutes a core activity of one of the City's most respected international merchant banks and is poised to further develop its influence in the market

An integral part of the Group's development plans is the appointment of a Financial Director into a new role responsible for a number of profit centres in the UK and overseas. The thrust of the job is profit generation and you would be a key member of the Board.

Aged in your mid to late 30's with a strong academic background and Chartered Accountancy qualification, you should already have demonstrated significant achievements in a financial services organisation of repute. The advertisement is geared particularly to those outside the investment industry.

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23. 212<sup>10</sup>

LOYDIL

Sept Ser

**Central Scotland** 

The position offers an excellent banking remuneration package, including subsidised mortgage, with a basic salary of up to \$60,000 and, in addition, a bonus. ... Please write, enclosing a full employment history and giving your current remuneration, to Terence Hart Desc at Mervya Hughes International Limited, Management Recruitment Consultants, 63 Mansell Street, London El 8AN.

Group Project Accountant

In order to support their corporate strategy, which includes expansion through organic growth and

Reporting to the Group Financial Controller, and liaising with Senior Executives, the successful candidate

Candidates, who must be qualified accountants aged 28-35, essentially with experience of the construc-

tion industry should demonstrate strong interpersonal skills and the ability to operate at the most senior levels.

## YORKSHIRE BANK DEVELOPMENT CAPITAL LTD.

Yorkshire Bonk Group is one of the UK's leading financial institutions with bolonce sheet footings in excess of 53 billion. Recent developments within the Group include the incorporation of a Development Capital subsidiary.

YBDC will be a significant force in this field and will lead transactions requiring syndication. MBC's, MBTs and traditional "money-in" and "money-out" development capital transactions will be undertoken. The excellent relationships which the Group enjoys with its corporate customers and their advisors will provide a strong "deal-flow" for YBDC to promote their development copifol activities throughout the UK.

An experienced Chief Executive is in place and he now wishes to recruit further members of his investment team to identify, appealse and invest in unquoted companies.

# SENIOR DIRECTOR

A senior Director with or first class track record in the development coptial inclustry is sought who can supplement the high level of expertise within the Group.

# **ASSISTANT** DIRECTORS

We also require two executives who should progress to become directors in a relatively short time scale. Applicants will be ideally degree qualified with an MBA, accountancy or legal post-graduate qualification, and may have some development capital experience.

We shall be looking for senior executives with ability to match ambition demonstrated in their track record. Johning YEDC at this formative stage will be a natural extension in a successful correct and rewards and prospects, which will be amongst the best in the industry. will reflect this.

Please write with full c.v. to:



# Yorkshire Bank Group

George Shiels, Managing Director, Yorkshire Bank Development Capital Lid., 20 Merrion Way, LEEDS LS2 8NZ.

We are an equal apportunities employer.

# Financial Controller

Our client is a highly successful Plc in the construction industry.

will be a key member of the group's management team and wift be responsible for.

acquisition, they require to recruit a Group Project Accountant,

A Reviewing the performance of subsidiary companies

A Investigating potential acquisitions

EAST MIDLANDS, £30,000 + QUALITY CAR

For one of the regions tostest growing their manufacturing companies. They supply brand leader products to what is historically one of the most bouyant market closs and their UK success is now being repeated overtecs. The rapid expansion and future !

with the Pronocal Disector and will have disect control over a staff of ter-people. You are likely to get involved with a wide range of projects associated with a fast growing You will be in your late twenties or early thirties, a qualified glocucies accountant with excellent lecturic

of international accounting would be an advantage. Please send your CV, to include a day time telephone number and. details of solary progression, to Dould Owens, Coopers & Lybrand Executive Resourcing Limited, 43 Executive Resourcing Limited, 43 Temple Row, Elimingham 82 5.11, quoting seterance DO152.



opment plans of the company accountant with account notific side. You will have had elderaive computered systems implementation experience and entry working in a challenging of give ties to a recultement for a financial Controller to concentrate paracity on systems development,



#### **Designer Clothing Group Financial Controller**

Our effent, a leading international fashion company with operations and interests throughout Europe, the US and the Par East, is currently seeking one outward-going young financial controller for their rapidly expanding operations

Reporting to the European Chief Financial Officer, the succe-candidate will be responsible for the overall financial control, EDP and treasury functions for one of the Group's marketing operations in Amsterdam. The candidate, ideally a qualified cherièred accountant, should have at least 2 years

Excellent Package

experience with an international FMCP Group.

Aged 28-40 you should demonstrate an active and cre
mind along with excellent communications skills (a kn
of Datchor Hladi would be a distinct advantage) in orde

Initial Interviews will be conducted in London Permission to work in the EEC essentia

Recently qualified ACA? Part qualified ACA?

# Financial Managers

City based;

£22-25,000 + car + benefits

Our client is a high profile financial services company whose name commands considerable international respect. With £ multi-billion daily transactions and a product portfolio embracing both banking and non-banking sectors standards are uncompromisingly high.

The company now wishes to appoint a number of Financial Managers and Assistant Managers within an operational environment which is challenging and dynamic. As a manager you would be responsible, under the supervision of the London Financial Controller, for all aspects of the financial management of specific comparies within the Group. This work may include the preparation of consolidated financial accounts, management accounts, budgets, business reviews, cash flow forecasts, corporate tax returns and involve reporting to and advising senior management on the specific companies' commercial

We should particularly like to hear from people in the 25-30 age

range, preferably cognizant with the financial services sector and with personal computer applications.

Candidates should be intellectually able and assertive with a strong, outgoing personality and able to demonstrate excellent communication skills, both oral and written.

Show us positive evidence of your clear potential and resolute ambition and our client will show you a climate where your prospects and your future seem assured.

Salaries are negotiable around the £22-25,000 level and the benefits package includes a full range of substantial City benefits.

In the first instance please telephone John Thompson for an informal discussion on 01-686 6600, or write to him with a detailed cv

at: Thompson Associates Ltd, (Ref. 1375), Compton House, Selsdon Road, South Croydon, Surrey CR2 6PA. Strict confidentiality will be maintained.

THOMPSON ASSOCIATES LIMITED

#### nutri system

#### FINANCIAL CONTROLLER

#### LONDON £30,000 PACKAGE + CAR

dynamic and rapidly expanding company.

The Company is a joint venture subsidiary of Nestor-BNA plc, a leading company in the UK in the field of health care, and Nutri/System Inc., one of the fastest growing companies in the US with sales of \$233 million in medical board.

available for a keenly ambitious. You will be responsible for the

our Head Office in London.

To meet the demands of this profile company, you will be aged degree and accountancy strong personality are invaluable. qualifications.

As the Company's Financial Controller, the ability to set up new 1988. The Company was created systems is essential. Training in If you have the qualifications, centres throughout Britain using You will play a key role in would like to hear from you. the Nutri/System programme. The supporting our senior Company is advised by a UK management team on all aspects Please send your curriculm vitae and of financial strategy and daytime telephone number to: Mr James A unique opportunity is now development within the Company. Reynolds, Nutri/System (UK) Ltd, 15

Nutri/System (UK) Ltd is a new, Financial Controller to join us at smooth running of the small accounts department.

You will need financial vision and challenging position within a high acumen for the fast-moving environment in which we operate. around 28-30 and have a good Good communication skills and a Swift promotion and the rewards that go with it are waiting for the right person.

to launch and operate weight loss the USA is likely for a short time. qualities and drive we need, we

Southampton Place, London WC1 2BU.

# FINANCIAL CONTROLLER

£35,000 + Car etc.

Aged 28-35

Our client seeks a High Flier--intellectual, professional, managerial--for this prestigious role in a major division of a 'blue chip' company, operating from several locations. The Financial Controller will be responsible for all the financial and management accounting of an £80m p.a. business.

The Financial Controller will provide leadership to a bright young team in a proactive approach to management accounting and maintaining tight budgetary disciplines. There is also the task of reviewing the financial systems as a new generation of IT is being introduced.

Candidates will have a good degree and be fully qualified accountants. They will have had financial and management responsibility in a manufacturing business at operating level.

The remuneration will include a results orientated bonus, executive car, share options and relocation expenses if necessary to the company's base in Sussex.

Please write giving details of age, qualifications, experience and present salary quoting reference 1066. Alternatively, telephone John Pattison on 01-255 3063 for a brief discussion of the opportunity. No information will be divulged to our client without your permission.

Withers Diamond & Wood Brigdale Ltd.

36-38 Mortimer Street, London WIN 7RB

# **Director of Accounting**

#### **West London**

An international outlook and entrepreneurial management are key factors in the success of this highly profitable US owned company involved in the manufacture and marketing of medical products. Turnover currently c\$200 million is expected to double in 2/3 years through acquisition and organic growth.

Working closely with the Head of International Finance you will direct and manage the accounting treasury and tax for operations outside of the US and have responsibility for all forecasting and budgeting for central expenses. Managing a team of eight staff you will work closely with field controllers, fine management and external advisers.

Probably in your mid-thirties you are a qualified accountant with a successful career in US companies operating sophisticated reporting and controls. Ideally you will have experience in a divisional or head office environment and possess multi-lingual capabilities. Commercial judgement, excellent interpersonal

skills and a high energy level are essential to contribute to this demanding environment.

Opportunities for further career progression are likely to occur within 18 months. Remuneration will include a competitive salary, negotiable according to experience, bonus and relocation

Please reply in confidence giving concise career, personal and salary details together with a daytime telephone numbe quoting Ref: 344 to James Cameron at Whitehead Rice Ltd., 43 Welbeck Street, London WIM 7PG.

Witchead Rice

**MANAGEMENT SELECTION** 

# Group Financial Controller

Camberley, Surrey



to £35,000 + excellent benefits

Carson & Company is a leading practice, specialising in a growing range of property services. A dynamic and entrepreneurial group, they have built an enviable reputation for high quality and innovation. They place considerable emphasis on the calibre of their staff, and the personal service which is offered to clients.

As Group Financial Controller, you will have a key role -As Group Financial Commoner, you will have a key role—
raking complete day-to-day responsibility for the fluance
function and controlling a small accounts department.
Working closely with the Chairman and Managing Director,
you will provide a financial view on exciting strategic and usiness developments.

You will be a Qualified Accountant (preferably Chartered) in your mid to late twenties with either a commercial

background, or seeking to move out of a major professional firm. Knowledge of the financial services or retailing sectors would be advantageous. You must have the drive and confidence to make a positive impact in this important role.

The excellent remuneration package includes a quality company car and performance related bonus. Sufficient flexibility exists to reward the outstanding candidate.

Please send full personal and career details in confidence to Alison Hawley, quoting reference 5273/FT on both envelope and letter.

Management Consultancy Division P.O. Box 198, Hilligate House, 26 Old Bailey, London EC4M 7PL

# Director of Finance

Liverpool area c£37,500

The UK subsidiary of a multi-million dollar turnover US company engaged In the manufacture and supply of specialised chemicals, wishes to appoint a business minded Director of Finance to a wide ranging role covering their operations in Europe,

the Middle East and Africa. Reporting to the UK Managing Director and a parent company financial executive, the position includes responsibility for the financial and administrative functions of UK and overseas operations as well as the coordination of reporting to the parent company. The provision of financial advice as an active member

of the business development team is also an important aspect of this role. Probably in your mid 30's to early

40's, you will be a qualified accountant with experience in professional practice. Five years as a number one or two in a financial and management accounting function will have helped develop your strong management skills and the ability to work autonomously. Consolidation experience in a multicurrency environment and a sound knowledge of taxation and treasury matters are prerequisites.

Extensive in its scope, the role is certainly a demanding one and should appeal to those who look for variety

and challenge in their work. Some foreign travel is required.

In addition to the basic salary indicated above there is an attractive share scheme and company car, together with usual other benefits. Relocation assistance will be provided if appropriate.

Interested candidates should ring Susan Ryder on 01-378 7200 or write to her quoting ref MCS/9019, enclosing full CV and salary details at: **Executive Selection Division** Price Waterhouse Management Consultants No. 1 London Bridge Loadon SELSOL

Price Waterhouse



Our client, based in Surrey, is one of the country's outstanding providers of . Insurance & Financial Services and is a household name. Recently declared Group profits were more than £140m for UK & worldwide operations and funds under management are in excess of \$14ba.

## **GROUP FINANCIAL AUDIT MANAGER**

**International Financial Services** 

£35,000 + bonus + car

Unprecedented business growth has seen rapid expansion of Corporate Audit and it has a well carned reputation within the Group for providing services of the highest professional standards. Audit methodology is highly advanced and the department is well resourced.

Your management brief will include the direction of a substantial department of andit professionals and the development of an integrated financial audit strategy for the Group's European operations.

The culture of the business calls for a qualified accountant with significant people management skills and 5 years+ high level audit experience preferably with some Financial Services exposure.

Although 90% of time is spent in the UK, proficiency in French would be an added advantage.

" Future Group expansion plans are likely to provide growth within the role; together with opportunities for senior appointments elsewhere within the Group.

Please send your CV or contact, Lesley Harding, as adviser to the Company, for further information.

PHILIP JAMES & COMPANY 17 Thame Park Road, Thame, Oxon, OX9 3XD. Tel: 0844 21 7277

# FINANCE DIRECTOR

Nottingham c.£35,000+Car+Benefits

Lilley Developments Limited are at an exciting and challenging stage in their expension. challenging stage in their expansion. A major subsidiary of F.J.C. Lilley pic., with interests in land and commercial developments, Lilley Developments wishes to appoint a key member for its senior management team-a Finance Director.

The role will focus upon the following areas: to assist the Managing Director in the attainment of all corporate and financial objectives

 to manage the formation of new companies for development projects and arrange external

• so take an active role in the Group's acquisition plans

 to ensure tight, accurate financial controls throughout the Group ideally, the post will suit an ambitious, highly

Fax: 0844 21 6419

committed, qualified Accountant with first rate technical skills. An understanding of the housebuilding or commercial development industry is vital, most probably gained within professional practice.

Within this fast moving Group, the successful applicant will enjoy excellent career prospects along with a substantial rewards package.

Please apply in writing with full career and salary history details, quoting reference B/205/89, to Louisa Chapman.

**KPMG** Peat Marwick McLintock

Executive Selection

Peat House, 2 Cornwall Street, Birmingham B3 2DL

# Deputy Group Controller

#### London

Leisure

#### to £30,000 + Bonus + Car

Our client is an extremely progressive and much respected UK plc that has achieved rapid expansion and a high presence within the leisure sector by both acquisitions and organic growth. This growth now makes the organisation the largest UK operator in several of its divisions and a major force within the

As a direct consequence of this success the Group seeks to make this new appointment to its small corporate finance team. Key functions and responsibilities of the role will include the strengthening of relationships between the operating divisions and corporate HQ, the management of the Group's performance review process and working closely with the Group Financial Controller and main board Directors on special projects. Candidates should be qualified accountants, aged 28-34, who want a

responsible role in a commercial and progressive environment presentation and entho vital as the role will hold a high profile in dealing with an extremely wide diversity of personnel.

Future career prospects are excellent including the opportunity of financial directorship of an operating company. Please telephone or write enclosing full curriculum vites quoting ref. 330 to: Philip Cartwright FCMA. 97 Jermyn Street, London SW1Y 6JE

# Cartwright

FINANCIAL SELECTION AND SEARCH

# REED... accountancy

THAMES VALLEY

£80,000

**Taxation** 

Early partnership plus fringe benefits to match. Relocation costs. Luxury car plus free parking. Ref 49431

For further details contact: The Manager, Reed Accountancy, 164 High Street, Slough (0753) 76677 Fax (0753) 694267

+.7.8

North London

**SURREY** 

£80,000

#### **Financial Director**

Well-known plc. Department of 200 plus extensive computer commitment. To contribute major role in management triumvirate. Ref 29390

For further details contact: The Manager, Reed Accountancy, 76 High Street, Guildford (0483) 69151 Fax (0483) 32311

Phone or send your CV to the appropriate manager, or request an application form. Out of office hours, call 01-770 7780 or 0483 740401. Reed actively promotes Equal Opportunities.

# Rewarding 'greenfield' opportunity Financial Manager

c£26k + car + benefits S.London

Our dient, a young hotel company background in a multi-site service possesses the potential to grow industry who can demonstrate a significantly over the next few years and successful track record and the ability to has ambitions to seek an USM listing, develop innovative solutions to

will be this newly-created position of moving and dynamic environment. The Financial Manager. Reporting to the ability and ambition to grow with the Group General Manager, the role will business will be a vital determinant of Group General Manager, the role will business assume responsibility for all aspects of success. the financial function implementing financial controls and liaising closely with to enjoy an artractive salary and benefits operational managers and external package and look forward to sharing the

implementation of the business development strategy will be a key task. We are seeking a qualified accountant, probably with a

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COMPAN

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Central to achieving this ambition organisational problems created by a fast-The successful candidate can expect

advisers. Close support of the Chairman substantial rewards that growth will and Chief Executive in the bring Interested candidates should in

the first instance, send their full career and salary details in absolute confidence to Brian Ayres at the address

Moores Rowland Management Consultants, 43 Eagle Street, London WclR 4AP

## PROJECT ACCOUNTANT

#### RETAIL

Aged 28-32

to £35,000 + Car

This major retail group is committed to maintaining its dominant market position. It will continue to enhance a strong international profile through organic and acquisitive growth.

To meet the challenge of sustaining a clear competitive advantage there is an immediate requirement for a key individual to join the high-profile business review team.

The role will focus on the enhancement of efficiency through the review of financial and operational systems. This will include seeking

and implementing solutions to business problems.

The ideal candidate will be a commercially minded accountant with at least three years' post qualification experience. Progression into senior line management will only be limited by personal ability.

There is considerable executive level exposure, and therefore assertiveness, diplomacy and strong interpersonal skills will be essential

Interested applicants should contact Giles Daubeney, either by phoning him on 01-437 0464, or by writing to him, enclosing a detailed CV, at

ROBERT • WALTERS • ASSOCIATES

RECRUITMENT CONSULTANTS ns House 1 Leicester Piaco London WC2H 78E Telephone; 01-437 0464

#### THE WCRS GROUP PLC

# **DUP ACCOUNTANT**

#### Young high flying ACA-Media Group

The WCRS Group plc is one of the world's largest communications groups, with business activities comprising advertising, public relations, media and sponsorship. Although the European market is its strength, it is active in over 20 countries. Growth has been impressive, due in no small part to a corporate culture encouraging imaginative thought and individuality

Group centre is lean and concentrates on strategic issues. Resulting from a recent promotion, an opportunity has arisen for a Group Accountant. Reporting to the Director - Corporate Finance, the brief is to provide and interpret Group financial information, with an emphasis on the creation and promotion of Group profit opportunities. Managing a team of 5. you will also oversee the consolidation of Group information and maintenance of head office accounts.

Candidates, in their late 20's to early 30's, will be qualified Accountants and technically excellent. The successful candidate will have an enquiring mind and the ability to challenge the norm. Probable profiles would be either an ACA currently working at the centre of a major group or as a manager from

Please apply directly to Mark Ehrlich at Robert Half, Freepost, Walter House, Bedford Street, 418 The Strand, London WC2R OBR. Telephone: 01-836 3545, evenings: 01-556 3615. Alternatively, fax your details on 01-836 4942.

Financial Recruitment Specialists
London - Birmingham - Windsor - Manchester - Bristol - Leeds

#### **Senior Financial** Management Professionals

over £40,000 tax free plus excellent benefits: Saudi Arabia

Our client is a dynamic and highly prestigious Group with substantial and diversified interests, involving a large number of distributorships and joint ventures with leading, multi-national manufacturing and trading companies. Continuing

expansion of their business activities has created two excellent openings for senior finance professionals with the vision and experience to make a significant contribution to their continuing

**Group Financial Controller** 

You will be directly responsible for all aspects of financial and management accounting throughout the Group. Specifically your brief will be to establish accounting policy and improve existing systems, formulate new planning and budgetary methods and produce regular financial reports and management

You will combine an accountancy qualification with at least eight years' commercial experience, latterly at a senior level in an international company

and potential to deputise for the V.P. - Finance. Fluency in Arabic is essential. Ref: FT 1266/3. **Finance & Administration Manager** 

Reporting to the VP - Industrial Group your remit includes the management and direction of all the financial and administrative functions required to support the operating companies. This will involve budgeting, financial and management reporting, investment appraisal, management information systems, treasury function and company secretarial activities. As a key member of the management team you will also deal with the day-to-day business of the companies including

deputising for General Managers in their absence as well as be involved in expansion and diversification plans.

A qualified accountant, preferably with a business degree or similar, you should have a minimum of 5 years experience at a senior level in an industrial and international commercial environment, preferably imcg as well as core experience in manufacturing cost accounting. Experience of computerised financial systems is also essential. Ref: FT. 1266/5.

Salary is negotiable and excellent benefits include free furnished accommodation, married status, transportation allowance, bonus, free medical care and paid home leave.

Please write - in confidence - with full career details to Ghassan Yazigi, quoting the appropriate reference, MSL International (UK) Ltd., 32 Aybrook Street, London WIM 3JL.

**MSL** International

# Finance Director

Midlands £35-£40,000 + Car + Benefits

Our client is a major subsidiary of a large manufacturing group located in the Midlands. The company has a fast rising turnover currently in the region of £25 million

\*\*\* \*\*\*\*

In support of exciting development plans the company is seeking an experienced Finance Director to. take overall control of the finance function and specifically upgrade the company's computer based ... accounting systems. The Finance Director will also be expected to participate fully in the development of the business as a whole as a key

member of its top management

Applicants must be experienced qualified accountants with a solid record in financial management ideally in a manufacturing environment. The post demands well developed managerial skills and the ability to successfully conclude tough commercial negotiations at the highest level.

This is an exciting career opportunity for an ambitious accountant who relishes the challenge of revemping the existing financial organisation and systems in a

medium sized company. Salary is negotiable, and includes an attractive annual bonus plus an executive car. Applicants should write in confidence with career details, age and current salary quoting reference MCS/2051 to Jim Mitchell,

**Executive Selection Division Price Waterhouse Management Consultants** Livery House 169 Edmund Street Birmingham B3 2JB,

Price Waterhouse



# ACQUISITIONS MANAGER

**Consumer Goods** 

#### Cambs/Lincs base

This household name public group has a record of growth and accelerating profitability and commands the respect of the city and its customers. Its strengths are an innovative, professional management team and strategically advantageous positions in growing markets. Building on its acquisitions successes, the group aims to strengthen the business development team and intensify its programme of deals.

Reporting to the Finance Director, you will be supported by two dedicated professionals and lead the acquisitions programme in the USA and Europe. The team is involved throughout the acquisitions process; identifying and financially evaluating target companies, negotiating deals and playing a full part in their integration into the group.

#### Package to £40,000 + car

The successful candidate will be a financial MBA or qualified accountant, in his or her early/ mid thirties. A track record of progression in sophisticated organisations, combined with involvement in acquisitions, as advisor or principal, is prerequisite. The group offers excellent career development opportunities to committed professionals with commercial flair.

Please reply in confidence, giving concise career, personal and salary details to Heather Male, quoting Ref. L426.

Egor Executive Selection 58 St. James's Street London SW1A 1LD (01-629 8070)

EXECUTIVE SELECTION

United Kingdom - Belgium - Denmark - France - Germany - Italy - Netherlands - Portugal - Spain

# Financial Controller

North West

c£28,000 + Car + Bonus

Our clients are a market leading subsidiary of a major UK group, engaged in the manufacture of specialised capital machinery for markets world wide. Recent repositioning of the husiness has highlighted specific areas where improved management controls will result in a significant increase in profitability and establish a sound base for further growth.

They now seek a commercially minded Financial Controller on work closely with the Managing Director as a key member of the management team, making a significant contribution to the overall management of the business, including the formulation of business development strategies. Specific responsibilities will include the development of effective financial controls and management information systems, together with cash and asset management. cash and asset management.

Candidates should be graduate qualified accountants, (probably ACMA), aged in their early to late 30s, who can demonstrate a full understanding of manufacturing business and significant experience of computerised ent information systems.

A proactive management style with a forward thinking approach and strong interpersonal and commercial skills are essential to succeed in this demanding environment.

Interested applicants should forward their current CV to Jain Blair ACMA qunting ref 4456 at Michael Page Finance, Executive Division, Clarendon House, 31 Mosley Street, Manchester M2 3LQ.

#### Michael Page Finance

nternational Recruitment Consultants London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

# FINANCE DIRECTOR

Gloucestershire

Up to £25,000+Executive Car+Major Benefits

As part of a planned programme of international expansion, our Client - a large, successful and highly acquisitive European Group with an annual turnover in excess of £27 million - has recently assumed control of a well-established FMCG operation based in Gloucestershire. The Group enjoys a high profile in its market place, currently accounting for some 30% of world sales in several consumer product lines.

The Group wishes to appoint a Finance Director for the £4 million turnover subsidiary company. The successful applicant will report to the Managing Director, taking sole responsibility for all financial, management and treasury functions of the

Since the Group is heavily computerised, candidates - preferably ACAs with a strong industrial background - will require sound IT knowledge and systems experience. A high level of commercial

awareness is essential, as is the ability and enthusiasm to get to grips with the day-to-day challenges of a busy working environment, often at grass roots level. Some acquisitions knowledge would be advantageous; the incumbent will be called upon to deputise for the Group Finance Director in his absence. There is also a possibility of some overseas travel to European subsidiaries

The position carries substantial opportunity for advancement, with excellent promotional prospects. A very attractive package awaits the successful candidate, comprising a starting salary of up to £25,000, company car, bonus scheme, BUPA, non-contributory executive pension scheme and a generous relocation allowance.

To apply please write with full CV and salary details, to Margaret-Anne Stocker, quoting reference

# KPING Peat Marwick McLintock

Executive Selection

Peat House, Lansdown Road, Cheltenham, Gloucestershire GL50 2JA.

# NCIAL CONTROLLE



Warehouse Group, acquired by Sears plc in January 1988, is a specialist retailer of exclusive women's fashionwear for the young market. Turning over some £18 million and operating through 34 branches countrywide, the company is already well established within its marketplace. With the resources of the retail giant Sears and through the direction of a small, highly motivated management team, of which the Controller will be an essential member. the company is now uniqualy placed to ambark upon a period of rapid growth and development.

In order to realise the full potential of the company, Warehouse now seeks a young Controller to make a positive contribution to these expansion plans. Leading a small team, this key role involves tha development of systems as well as the production of management and financial informatioo.
Liaising extensively with non-accounting functions and other divisions within Sears. you will become heavily involved in the strategic direction of the company.

Aged 25-35, you should have at least 18 months' post-qualification experience within a fast moving, commercial environment. Proven communication skills are essential, as is the drive and enthusiasm necessary to meet the challanges of this very competitive marketplace.

Please apply directly to Penny Ridgett, Freepost, Walter House, 8edford Street. 418 Tha Strand, London WC2R OBR. Telephone: 01-836 3545, evenings:01-853 4009. Alternatively, fax your details on 01-836 4942.

Financial Recruitment Specialists London · 8irmingham · Windsor · Manchester · 8ristol · Leeds



# Group's Finance Controller

West London

To £40,000 plus car

The former Group Finance Director at this highly respected electrical business has been promoted to Group Managing Director. He now requires a Controller to work with the Holdings Board to take the Group into a new phase of profitable diversification.

phase of profitable diversification.

The £60m turnover Group is established as a leading electrical and mechanical contractor with several overseas companies. One group company, acquired 4 years ago, has become one of the UK's premier low voltage switchgear manufacturers. The Group is highly acquisitive and undergoing considerable expansion.

Growth potential of this role is excellent for an ambitious, positive, commercially astute accountant aged 30–40, with strong communication skills. Experience of construction related industries, of upgrading computerised information systems and of methodical line management are of paramount importance. Please forward your curriculum vitae with an appropriate covering letter which includes your present earnings and a daytime telephone

Peter Willingham (Ref: 056) Managing Director HODGSON IMPEY SEARCH & SELECTION LIMITED 50 Pall Mali London SWIY 5JQ.

# Finance Director

Cheshire

to £30,000 + Car + Bonus

Our client is a market leader in the highly competitive field of home furnishings, with a growth rate of 250% over the past three years. A management buy-out from a major UK retail group has created the need to establish an Independent finance function and develop integrated computerised

To meet this requirement, they seek a commercially orientated Finance Director to become a key mem of the buy-out team. In addition to an overall contribution to the strategic management of this profitable business, you will assume specific responsibility for management of working

capital and the improvement of production control and inventory control systems. Candidates should be qualified accountants, aged 30-45, who can demonstrate a successful track record of financial management in an FMCG environment. A sound manufacturing background. together with high levels of commitment and well developed interpersonal skills, are prerequisites. Interested applicants should forward their current

CV to Iain Blair ACMA quoting reference 4457 at Michael Page Finance, Executive Division, Clarendon House, 81 Mosley Street, Manchester M2 3LQ.

Michael Page Finance

International Recruitment Consultants London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

**Progressive** International Airline

Air Europe, a major force in todays aviation scene and part of the dynamic international Leisure Group, is now pursuing an exciting programme of investment and growth. This involves the expansion of their network of scheduled services from Gatwick to European business and holiday destinations, as well as further diversification of their traditional charter market to the long haul arena.

This growth has now created an opportunity for an ambitious accountant to join Air Europe's headquarters finance team in an important new linancial management role.

You will be responsible for the direction and development of a team of approximately 30 staff, including qualified and part qualified accountants, ensuring the production of comprehensive and timely management information, the development of FINANCIA a range of financial systems, and the implementation of effective controls required to monitor overheads, capital expenditure and other trading

MANAGER To £27,000 + Car + Benefits

Crawley, West Sussex

The Individual sought will be a qualified accountant, likely to be aged 25-32, and able to demonstrate ability, endrusiasm and achievement. You will be required to solve complex problems, manage people and deliver results, whilst working within a high pressure environment.

This high profile appointment offers an ideal platform for career progression within Air Europe and more widely within the International Leisure Group. In addition to a competitive salary and company car there are generous holiday, travel and other benefits.

For a detailed and confidential discussion, contact Paul Goodman or Brian Cognet on 01-387 5400, out of hours 0923 720284 or write to Financial Selection Services, Drayton House, Gordon Street, London WCIH DAN. Fax all europe 01-388 0857.

QUALIFIED CIMAs - £22,000 - £35,000 + Substantial Benefits

# "I'm looking to use my product costing skills in a totally different environment



As the financial services marketplace becomes increasingly competitive, success will depend on an organisation's ability to understand and react to the needs of its customers. Midland Group, through its numerous businesses, provides an extensive range of financial products and services for personal and corporate customers both in the UK and overseas,

With so much emphasis on new product development, Midland Group presents an excellent opportunity for qualified CIMAs with backgrounds in manufacturing industry or commerce to broaden their experience. We require bright, enthusiastic people to improve Midland's existing product profitability systems, and contribute towards new product development strategies.

In an environment of variety and change, with a progressive management style, career progression is rapid and based purely upon personal contribution.

Together with salaries ranging from 522k to £35k, we offer a comprehensive range of banking benefits, including mortgage subsidy. In addition, some positions include a company car.

If you would like to know more about the attractions of working for Midland Group, contact Charles Austin, quoting ref: A321, at Mervyn Hughes International Ltd, Management Recruitment Consultants, 63 Mansell Street, London El 8AN. Telephone 01-488 4114.



#### **European Roles**

to £30,000 + car

Our client is the fast growing European operation of Cognos which is a successful leading Canadian software supplier specialising in advanced language technology for developing business applications. The company has been operating since the early 1970s and is committed to a high level of expenditure on research and development. Consequently its pace-setting products are recognised worldwide and there is considerable scope for widespread expansion.

The European business has grown dramatically and as a result two new positions have been created, based at the European head office in Bracknell and reporting to the European Financial Controller.

#### Assistant Financial Controller

This position will assist in providing a complete controllership function for a number of European subsidiaries, along with accounting, business and systems support for the regional operations managers. Most importantly, it is a proective business role intended to give active and constructive commercial support rather than merely supplying an accounting

## Manager-Business Planning

This position will carry responsibility for all budgeting and forecasting activities along with business analysis for the European subsidiaries. Candidates for this position must have experience of budgeting, preferably in a European

Candidates will be recently qualified chartered accounterts aged in their late 20s to early 30s. They should have experience of progressively more demanding roles with up to two years' post qualification experience. They must be commercially aware and have had some exposure to the financial systems, controls and reporting procedures of a fast moving hi-tech company.

An ability to adapt quickly to the demands of a changing environment must be combined with a dynamic results oriented style. Well developed interpersonal skills and initiative will be essential. Some travel will be necessary and the ability to speak a Europeen language would be useful.

These are excellent career positions for the progress

ive candidates looking to make an impact during their business

If you are interested please reply in confidence giving concise career, personal and salary details quoting the appropriate reference to: Michael Fehrey, Arthur Young Corporate Resourcing, 21 Conduit Street, London W1R 9TB.

**Arthur Young Corporate Resourcing** 

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

#### **Leading Retail Group**

# Senior **Financial Analyst**

to c£30,000 + Car + Benefits

**West End** 



- Executive Selection Division

Our client is one of Britain's leading international retail companies. They are currently embariding on an exciting programme of investment and change involving the highly innovative re-development of existing stores, the opening of numerous new outlets and the promotion of high profile brands. In addition they have recently exceed into an important new strategic business venture and acquired a prestigious European fashion chain.

As a result of the clearly defined requirements for strong financial management and control a challenging new appointment has now arisen within the young group finance team.

Reporting to the Financial Planning Manager you will play an important role in ensuring that the group board receives the high quality of information and commentary required to make key business decisions. This will encompass the analysis and interpret-ation of subsidiary performance, appraising and making recom-mentiations relating to major capital expenditure proposals, involvement in the group budgeting and forecasting process and a range of ad hoc assignments.

The individual we are seeking must be a qualified accountant, ACA/ACMA/ACCA, probably under 30, and should already have gained at least eighteen months post qualification experience in a commercial environment.

You will be a confident and assertive professional capable of high quality objective analysis, with a strong commercial analysis This is an ideal opportunity to gain experience in a dynamic pic headquarters. Promotion prospects are excellent and success in this demanding role will create an ideal platform for accelerated career progression.

Contact Paul Gottleman or John Bowman, Consultants to the Company, at Francial Selection Services 01-387 5400 (24 hours) evenings 0474 874473 or write to Farancial Selection (Fac 01-388 0857).



# Finance Director

#### West Midlands

Part of the FKI Babcock PLC, the growth orientated UK based multi-national, our client is a profitable £20m turnover sugmeering company involved in the sale and manufacture of capital equipment. The Finance Director will be a key member of the management than, charged with continuing the successful growth record of the

The successful candidate will assume notal responsibility or all finance and related functions in a demanding pusiness environment. In particular, he/she will be required to adopt a hands on approach to the levelopment and implementation of

c£30,000 + Car

financial and contract control systems, cash managand strict cost discipline.

and suit cost discipline.

Candidates, aged over 30, should be qualified accountants, who can demonstrate a successful track record gained in an engineering capital goods orientated manufacturing business. In addition to strong technical skills, the drive and ambition to succeed in a dynamic, fast moving operation is essential.

An excellent salary package with full relocation is on office. Interested applicants should write enclosing a full CV, to Tory Hodgins ACA at Michael Page Finance,

Bennetts Court, 6 Bennetts Hill,

Birmingham B2 SST.

Michael Page Finance

International Recruitment Consults

London Bristol-Windsor St Albans Leatherhead Birtol



## TAY BRENT WALKER

FINANCIAL CONTROLLER - INNS

Cleveland - Hartlepool c. £28,000 + Car + Benefits

Breat Walker Group Pic is a highly acquisitive buy Le rest water crows rue in a page y acquaint and made high in the U.K. activities technising breaking, wines and spirits and made high in the U.K. and governme. The recent acquisitions of J.W. Canteron & Co. Ltd., and program. 100 researces Ltd., and their 834 public beaux, in Tollomache Cobbold Breaeries Ltd., and their 834 public beaux, in arthrina to 734 invaried bosses from Grand Netropolitiza has resulted to addition to 334 invanted bouses from Grand Hel

a significant strengthening of the Brewing and Leisure Division. A recent reorganisation will controlled the management and activi of all Branks and lates at Hartlepool and but brought about the weed to my arriver constant Axecutive lavel appointment will be responsible for

noncial management of around 1200 tenoning and managed boung ghout the U.K. Reporting to the Board of Directors you will be truologi out of the extrate and its growth in terms of recessue, ity and and bose. There is a continual need for the ongoing ing the miss, marketing and distribution functions

ability to motivate used gain acceptance of ideas by others in a symmetric configuracie. A positive, communication self-cluster you should have a brack-record of tempible, measurable results and possess the ability to deal ally with a paristy of problems in order to ment dendition.

in return you will enjoy a challenging and diverse role dealing with all levels of management, in a Group offering outstanding opportunities for further corear development. A full relocation package is offered where



Specialists in Financial Recruitment

# GROUP FINANCIAL

Gwent £25,000 - £30,000 + Bonus + Car

Brushes International Limited is the management and holding company for a well established industrial brush manufacturing group which has subsidiaries in France, Germany, Portugal, Brazil and

The post holder will report to the Group Chairman and will work closely with him, providing consolidated accounts and interpreting results for companies within the Group, undertaking ad-hoc projects which will involve travel within Europe, and assisting with the formation of strategic plans. Responsibilities will include treasury functions, administrative assignments and Company Secretarial duties.

The successful candidate will be a fully

qualified chartered accountant, with at least 2 or 3 years post qualification experience. which will have included consolidation of accounts, preferably in an international group environment. A working knowledge of European accounting conventions and some degree of fluency in French and other languages would be advantageous.

Prospects for advancement and increased responsibility within the group are excellent. A generous and negotiable salary package is offered together with relocation assistance where applicable.

For further information please telephone Ann Fry on 0222 462463 or send your CV to her at the address shown below.

## **KPMG** Peat Marwick McLintock

**Executive Selection** 

Mariborough House, Fitzalan Court, Fitzalan Road, Cardiff CF2 1TE

## **Divisional Finance Director Designate**

#### Greater Manchester

Our client is an internationally renowned UK group, engaged in the maoufacture and marketing of specialized rechalcal products. A reputation for excellence of design and high quality manufacturing has established them as market leaders in their field. Current group restructuring is being undertaken to provide a flexible approach to product development, manufacture and distribution across all operations, in preparation for the European single market. These activities will be supported by a major capital investment programme.

Initially, you will assume responsibility for day to day fins control of their Manchester based business and financial project management for the establishment of the major

project management for the establishment of the ma operating division of the group. Early progression to Divisional Finance Director is envisaged, where you will play a key tole in the future development of the

c£35,000 + Car + Bonus

financial control of international manufacturing and marketing operations and in particular the development of effective financial control systems, performance evaluation and review and the management of working capital, together with overall strategic development of the business.

Candidates should be qualified accountance, aged 30-40, who can demonstrate a strong track record of achievement at senior management level within a maoufacturing environment.

Strong interpersonal skills, together with intuitive commercial acumen and the ability to contribute significantly to broader business development, are essential.

rested applicants should forward their current CV to
Lain Blair ACMA quoting reference 4455 at
Michael Page Finance, Executive Division,
Clarendon House, 81 Mosley Street,
Manchester M2 3LQ.

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#### Michael Page Finance

International Recruitment Consultants London Bristol Windsor St Albans Leatherhead Birmingham Nottingham Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

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#### Financial Controller

Dynamic Public Property Company London SW1 £30-35,000 plus car

Our client is a fast growing, major public property company involved in investment, development and trading operations. With a reputation for entrepreneurable combined with prudent policies, the company has expanded significantly in recent years and is financially strong. This, together with an exciting development programme and energetic management provides for a further period of controlled growth.

They now wish to appoint a young Financial Controller reporting to the Group Financial Controller, to be responsible for the accounting department, preparation of year end accounts, cash management and overseas reporting. Development and enhancement of accounting and management reporting systems will be a key part of this

Applicants must be commercially aware Chartered Accountants with at least three years post qualification experience, which should include financial modelling and computerised accounting systems. Flexibility and willingness to work under pressure are essential as are good technical and interpersonal skills. Knowledge of the property sector would be useful.

There are good prospects for career development within this fast expanding

Please send your curriculum vitae, including current salary and daytime telephone number, quoting reference I2017 to Andrew Goodburn, Grant Thornton Management Consultants Limited, Grant Thornton House, Melton Street, Euston Square, London

Grant Thornton 🏗

## **GROUP ACCOUNTING**

**Service Sector Leader** 

c£30,000 + car

An autonomous subsidiary of one of the world's strongest financial groups, our client is a leading force in its rapidly changing sector.

As a key member of a close knit head office team, responsibilities will include the review and consolidation of management and statutory accounts, budgetary control and financial planning. Regular contact with management of self accounting regions and ongoing accounting and systems development work will provide further challenge and fulfilment.

Aged late 20s/early 30s, applicants should have at least four years' post qualification experience gained either in the profession or commerce/industry. Career prospects in this company and the parent group are excellent.

Please write with full career details or telephone David Tod BSc FCA

LLOYD MANAGEMENT Selection Consultants 125 High Holborn London WC1V 6QA 01-405 3499

quoting reference D/840/CF.

Legal Appointments

appear every Monday
For Further Information Contact 01-873 300

Elizabeth Rowan Ext 3456

Wendy Alexander

## Assistant Financial Controller

#### Hertfordshire

#### c£28,000 + Car

Our client is an autonomous manufacturing and distribution group. The company, turnover c£60m, has gone through a period of significant change and seeks to strengthen the central financial team as it moves into the growth

The role has responsibility for the

international group reporting coupled with treasury and PC computer systems development work. There will be high exposure to the senior management within the group and current involvement with the UK locations will be necessary on special project assignments including acquisition studies.

Candidates should be qualified accountants with broad accountancy experience, shirt sleeve and flexible approach.

Please telephone or write enclosing full curriculum vitae quoting ref. 331 to: Nigel Hopkins FCA, 97 Jermyn Street. London SW1Y 6JE Tel: 01-839 4572

#### Cartwright Hopkins FINANCIAL SELECTION AND SEARCH

#### Appointments

#### Advertising

For further information

call 01-873 3000 Deirdre McCarthy ext 4177

Paul Maraviglia ext 4676

Elizabeth Rowan

ext 3456 Patrick Willis

ext 3694 Candida Raymond ext 3351

## **Financial Planning Manager**

Mobile Communications—The New Generation

To £35,000 + prestige car

Our client is looking for a young and dynamic Financial Planning Manager. Owned by a consortium of multi-national companies, the company has recently been awarded a Telepoint operator's licence and is poised for explosive growth in the exciting telecommunications industry. You will report to the Finance and Administration Director and be responsible for the financial planning and treasury functions within

the company including:-the review of capital expenditure and marketing proposals;
 the management of a major subscriber billing contract;
 financial forecasting, financing arrangements and cash management of a major subscriber billing contract;

 the management of a major subscriber billing contract; The appointee will be a key player in a high calibre and vigorous team. You must be a qualified accountant, probably with a degree or MBA, who has worked in a senior financial role with a major profit orientated company. You will be aged 28 to 32, have at least three years' post-qualification experience, preferably in a fineg industry and be able to demonstrate sound career progression. You must be fair, intelligence and flexibility to stocked in this new position is an environment which will thank the face of personal communications over the next decade.

This is an investment which will thank the face of personal communications over the next decade.

This is an important appointment, based in a congenial location in the South, which others genuine cause development pute at a If you are interested, please telephone Stuart Adamson FCA or Graham Markow on 0532 451212 or send your CV, in confidence, quoting reference number 667, to Adamson & Partners Ltd, 10 Lisbon Square, Leeds LS1 4LY.

### ADAMSON & PARTNERS I

**Executive Search and Selection** 

## INTERNATIONAL FINANCIAL ANAL YST

#### Age 28-30 yrs Central London Salary c.\$28-32,000 pa+Car

One of the more rapidly growing and profitable companies within this British Multinational Billion Pound Pic has recently promoted one of its Senior Financial Analysis to be Financial Director of a UK subsidiary. Dealing with well-known brands of consumer products, the objective of this exceptional career opportunity is to provide a prime contact and guidance for local finance teams. Specific responsibilities will include:

- Understanding the financial and commercial aspects of those international units delegated to the Analyst.
- Analysing results, forecasts, annual budgets and five year plans (the latter two areas would necessitate a strong presence and input at local unit level).
- Appraisal of those capital investments requiring Main Board approval.
- \* Becoming a 'Resident Expert' in such specific areas as Competitor Analysis

or Group Working Capital requirements, as required. In order to undertake the above, the successful candidate who will be a Qualified Accountant. must clearly demonstrat

- An ability to commercially interpret data and make recommendations on financial/ husioess issues.
- An aptitude to think conceptually, beyond specific experience.
- \* Strong interpersonal skills, with a high level of maturity and credibility. Capable of positively challenging whilst maintainin good, open working relationships with local management.

There will be some overseas travel. Individuals who are able to contribute to this fast-moving international environment should write to Karen Wilson, Director at FMS, 14 Cork Street, London WIX 1PF enclosing a recent CV and a note of your current salary.

Search and Selection Specialists

Financial Management

#### Finance Director (Designate) £25,000 + Car

#### North East

Our client is an autonomous operating subsidiary of a highly successful and diverse international public group. With a turnover of £12 million, the company maoufactures and markets a high quality range of products for a broad range of blue chip customers. It has ambitious plans for further expansion in both domestic and international

The company now wishes to appoint a Finance Director (Designate) who, reporting to the Managing Director and supervising an effective team, will assume full responsibility for the finance and associated functions. Emphasis will be placed upon the further development of the company's financial and manufacturing information systems. As a senior member of the manag

the successful applicant will be expected to make a significant input to the condirection of the business.

Our client is a rapidly-expanding French group

analyses of mostly French listed companies. The research

is produced in French and English for clients who include the world's major institutional investors.

You will lead and direct a team of top financial analysts engaged on a demanding schedule of research;

specialising in prospective investment reports and

this will involve top-level contact within companies

Candidates will be qualified accountants, aged 30+, who can demonstrate a track record of achievement gained in computerised manufacturing environment. Strong technical skills, including systems implementation, allied to drive, enchusiasm and first rare communicative abilities are a prerequisite for this position. The intention is to

The company is based in a pleasant North East location where one can enjoy an excellent life etyle. A good remuneration package will be negotiated including

make an early appointment to the Board.

Interested applicants should write to
Mark Hurley BSc, ACMA, at Michael Page Finance,
25 Collingwood Street, Newcastle-upon-Tyne,
NEI IJE (Tel: 091-222 0545),

#### Michael Page Finance

International Recruitment Consultants London Bristol Windsor St Albans Leatherhead Birmingham Notting Manchester Leeds Newcastle-upon-Tyne Glasgow & Worldwide

Head of Investment Research

& Marketing.^

### Financial Controller/ **Director Designate** c.£25,000 plus bonus and car

This position offers the opportunity to further advance your

career to Board level with a world leader. Our client is the exclusive UK licensee of the world's leading supplier of Distributed Control Systems and related field equipment to the Process Industries, and a subsidiary of the world's leading supplier of Process Safety Systems. Due to expected rapid growth over the coming years, they are establishing their operations controlling within the UK in the West Midlands. Budgeted turnover for their second year of

This is a new position and you will be responsible for installing, designing and controlling all financial accounting

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Telford

stems, group budgeting, variance analysis and introducing computer systems to accommodate the company's growth. As a successful applicant you are likely to be a graduate chartered accountant, probably aged early to mid 30's have at least 2 years' experience industry, and good systems knowledge. Commercial awareness, initiative, energy are

personal details to:

**Arthur Young** 

Please reply in confidence, giving career, salary and Tina Willoughby, Personnel Manager, Arthur Young, 3 Colmore Row, Birmingham B3 2DB, Telephone: 021-233 4030.

We take business personally

being researched, and you will be ultimately responsible for the quality of the final product. You will also make a decisive contribution to the development of the business by promoting and selling subscriptions to new clients. You must have sound experience in financial

**Paris** 

analysis, first-hand knowledge of the Paris Bourse

proven flair for financial-sector marketing. You will assured leader with the negotiating kills illustration and in the provential of the

Applications will be treated in strictest confidence. Please send a high-written letter with detailed or references and present remunitration of Media-System S.A., 6/8 impassed to Deux Cousins 75849 Paris, Cedex 17, France, optioning reference 58952





#### **FINANCE & ADMINISTRATION** DIRECTOR

(Designate)

Microsense, a subsidiary of CML Microsystems Pic is a highly successful company and a prime mover in the traffic control market, with products used throughout the world. Turnover in the last year grew by nearly 42% to just over £1.5M. About 40 people are currently employed in the 7,000 sq. ft. facility based at Fareham Hampahire. Work is about to commence on a new 15,000 sq. ft. facility and the Company has exciting growth plans. We are now looking for a person to join the management team at Microsense to take an active role in helping to ensure the company's future succ

The successful applicant (probably aged 29 to 39) will be a qualified accountant who has the potential to develop with the Company and possess qualities of drive, initiative and ability appropriate to this senior appointment. Innate commercial awareness, familiarity with computer technology and a willingness to do the groundwork initially will be essential to this appointment.

A prestigious company car, private health scheme and pension plan will be included in the excellent remunerative package.

Please apply in writing to:
N. G. Clark, Group Financial Director
CML Microsystems Pic., 1 Wheaton Road Witham, Essex. CM8 3TD



#### **NEW TOP EXECUTIVE JOBS**

ntial meeting which is w oi ds for a conf If overseas, enquire about our Executive Expet Ser

Connaught Mamlana

22 Surile Row, London: W.C. Special-Tall Serve Fex 01-734 22 Suffalk Street, Birmingham 81 1LS 021-843 2924

Legal Appointments appear every Monday £25 per single column centimetre For Further Information Contact

01-873 3000 Candida Raymond Ext 3456 Ext 3694

> **UK MANAGER RISK CONTROL** c.£40,000 + Benefits

An exceptional opportunity exists with a premier International bank for an individual with audit or general banking experience to manage their UK risk control

Reporting to the European Risk Control Manager, the successful candidate will be responsible for assessing operational risk and minimising the Bank's exposure within

Liaising closely with management at the highest level, this position will be responsible for reviewing the accounting and exposure implications of introducing new financial products to the Bank. Additionally, the role will involve working with line management to proactively identify and address risk issues. Consequently the incumbent will lisise with external regulatory bodies and internal and external

As this role will impact decision making at the highest level, it is imperative that the incumbent demonstrates outstanding interpersonal and influencing skills, together with diplomacy and strong personal presence.

The ideal candidate, probably in their late 20's to mid 30's, will be educated to graduate level. Whilst a qualified ACA or ACCA would be ideal, this is secondary to the appropriate banking and risk control experience.

For further information please contact:-

Cill Per Well Court Associates 11 Well Court, London EC4M 9DN. Tel: 01-236 0723 Fax: 01-489 8305 Executive Recruitment Coamb

#### Business counselling with Robson Rhodes in the East Midlands

#### **Tax Partner Designate**

The real challenge is to develop our tax services for the needs of Leicester and to service the requirements of the region. To achieve this objective you will need:

vision

-- to assess market needs and trends

- to work with a multi-disciplinary team — to define services, and

- to build the team to deliver them

You will be joining a young management team of nine people including three partners. The range of tax services you might offer would include:

-- personal and corporate tax compliance

- personal and corporate tax consultancy - personal financial planning

VAT consulting

 tax investigation work — trusts

— the taxation aspects of corporate finance

 the taxation aspects of business support Obviously, we are looking for a special person. If you are, why don't you confact Geoff Field on Leicester (0533) 544548. Or write with a brief career resume to Robson Rhodes, Bankfield House, 132 New Walk, Leicester LE1 7,JA.

Attention Geoff Field. If you don't have what it takes to drop the word 'designate' quickly we won't get very fair. If you do, your earnings are largely up to you! The starting package will not be less than £35,000.

## ROBSON RHODES

Chartered Accountants

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## **Director of Finance Legal Practice**

#### London - package value not less than £50,000

This major firm of London solicitors has shown extremely substantial growth over the last few years. Partners and staff now number about 400.

A new position, Director of Finance, has been created in order to strengthen the management team of the practice. The position will manage the accounting function which numbers fifteen, but more importantly, is expected also to develop the existing financial systems and to improve the flow of policy-related

It is expected that you will be a degreed and qualified chartered accountant, probably in your mid 30's to mid 40's. You should have a strong management accounting background, coupled with systems development and staff-

ideally you will have worked in a professional partnership environment, and be able not only to demonstrate a high level of professional skills, but be mature, diplomatic and flexible in your approach.

Please send a comprehensive c.v. including salary history and daytime telephone number quoting ref 3044 to Bruce McKay, Executive Selection Division.

#### **△** Touche Ross

Thavies Inn House, 3/4 Holborn Circus, London ECIN 2HB.
Telephone: 01-353 7361.

#### **Appointments** Advertising

For further information

call 01-873 3000

Deirdre McCarthy ext 4177

Paul Maraviglia ext 4676 Elizabeth Rowan

ext 3456 Patrick Williams

ext 3694

Candida Raymond ext 3351

## **SENIOR ACCOUNTANT**

INTERNATIONAL GROUP

**BERKSHIRE** 

Package c.£32,000 +Car+Relocation



Our client is a major UK Plc with operations worldwide and is currently undergoing an exciting phase of development which is expected to result in significant rapid expansion both organically and through major

To ensure the provision of financial advice and control essential in this period of transformation and thereafter, they wish to recruit an ambitious young accountant to strengthen the group accounting function.

The role will be both wide-ranging and challenging, encompassing a number of areas which will include monthly and annual reporting, the provision of technical advice, treasury, involvement in group taxation issues and other ad hoc tasks such as stock exchange documents relating to acquisitions. Experience in a number of these fields is highly desirable although training and support will be provided as necessary.

Applicants, aged 27-32, should be graduate ACA's with at least 3 years post-qualification experience in public practice or commerce/industry and have good inter-

Candidates should be able to demonstrate the ability and ambition to progress their careers rapidly. Prospects of a move to other positions are excellent either within the existing framework of the group or with a newly acquired company.

For further details contact Cheryl Bailey on 0734 391003 (evenings and weekends 01 992 9924). Alternatively write enclosing a full Curriculum Vitae quoting Ref RG807.

#### HARRISON # WILLIS

FINANCIAL RECRUITMENT CONSULTANTS

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## Senior Financial Opportunities With International Company

A world leader in distribution with a turnover approaching \$5 billion, this company is expanding rapidly by offering the highest expertise and quality of service to customers. They are now recruiting for two key roles within the senior menagement team at their Head Office.

#### Treasury Manager

High Wycombe,

c £32,000, Executive Car, Benefits

Reporting to the Managing Director Finance you will be responsible for all treasury matters. Key tasks will be to ensure strong co-ordination and communication with the United States parent company treasury, the lieising with the UK banks and financial institutions, the monitoring of the operating divisions bank accounts to ensure optimal netting of cash positions, cash flow forecasting, regular reviews of alternative fixed assets financing strategies and tex planning. Preferably aged 30-30 you will have a treasury qualification. It is essential that you are self-motivated, commercially aware and able to communicate well at all levels. Ref. B18075/FT.

#### Planning And Analysis Manager

High Wycombe, c £30,000, Executive Car, Benefits
Reporting to the Managing Director, Finance, the position will involve close helson with the UK France Minagers in consolidating and enclysing results and data from the operating divisions, reperting on all sepects of the UK business, and the co-ordination of amusal and long term plenning. The role also involves interpreting results for senior management both in the UK and United States. Preferably aged 25-35 you will be either a Chartered Accountant or ACMA. It is essential that you are numerate, computer literate and able to communicate well at all levels. Ref. B18076/FT.

In addition to the attractive salaries quoted, the range of benefits include an executive car, health cover, non-contributory pension and relocation assistance where appropriate.

Male or famale candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to, C.I. Deakin, Hoggett Bowers pic, 13 Frederick Road, Edgbeston, BERMINGHAM, B15 11D, 621-455 7575, Fax: 021-454 2338, quoting appropriate reference.

## Hoggett Bowers

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#### Financial My client is the ITALIAN subsidiary of a diversified Multinational (British) Group. The Company is a specialist Engineering/Services Company - enjoying growth both organically and by acquisition. Director ITALY

c£30,000+

plus attractive benefits

The FINANCIAL DIRECTOR will control a small staff - working closely with the Managing Director in the administrative control of the Company - and with the brief to strengthen Management Information reporting to the Lon-don head Office don head Office.

The role will call for further development of Accounting Systems - improving controls of Invoicing, Debtors, Stock Control, Purchasing, Inventory, Profitability studies, Budgets and reporting procedures. A new Integrated Computer System will shortly be introduced and it is important that applicants have good Systems experience - together with skills in training and motivating staff.

Applications will be veloconed from qualified.

Applications will be welcomed from qualified Accountants - who must be fluent in Stalian. The preferred age is 25 - 40 and in addition to proven Technical accounting skills, we seek abilities in liaison, reporting and communication.

To apply - please contact ARTHUR FLITTER Adviser to the Company.

Beaumont Accountancy Recruitment

Beaumont House. Station Path. STAINES, Middx. TW18 4LA 0784 462131 (24 hours)



## Treasury Accountant

Elders Finance Group is the largest merchant banking operation in Australia; part of the worldwide Elders IXL Group -- Australia's most profitable company. As part of our dynamic expansion plans in Europe, we sim to build a significant London presence, dedicated to developing our market in value-added financial products – resulting in our ongoing need to recruit additional high calibre staff.

An exceptional accountant, you will strengthen the Treasury Accounting Team by taking responsibility for Bullion and Option trading accounting within this active and expanding department.

This demanding role encompasses profit and loss agreement with dealers, preparation of management and statisticity accounts and the enhancement of existing accounting systems in order to facilitate management reporting.

Ideally an ACA, aged 25-30 with some Treasury experience, you must be an effective communicator at all levels and have the drive and ambition to succeed in a dynamic environment where career development opportunities

The remmeration package reflects the importance attached to the position. For further details please telephone Ian Rennardson on 01-283 0911, or send a full cv to The Personnel Manager, Eiders Finance Group Limited, Greenly House, 40 Dukes Place, London EC3A 5BX.



ELDERSFINANCE



## MANAGER DIVISIONAL FINANCE

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PART of a highly successful UK plc, this national distributor of a wide range of speciality products is already the market leader in a rapidly growing and highly competitive sector. It has exciting plans for further expansion based on the achievement of the highest standards of customer service throughout its countrywide network:

As Finance Manager for the Southern Region you will bead a team baving overall responsibility for every aspect of

A fully-qualified accountant, you must already possess several years' commercial experience. Excellent communication and leadership skills and a knowledge of computers are essential prerequisites along with professional integrity and the ability to work to strict time constraints.

To apply please send cv indicating current salary and quoting ref. 3499/BK/FT to Bethan Keirl, PA Consulting Group, Fountain Court, 68 Fountain Street, Manchester M2 2FE, or telephone her secretary for an application form, on 961-236 4531.

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Creating Business advantage

#### ACCOUNTANTS

SALARY - £24,000 TO £31,000 + CAR + BENEFITS LOCATIONS - CAMBRIDGE AND HUNTINGDON

We are looking to recruit a small number of Accountants to play a key role in the financial management of the future Anglian Water Pic.

Industrial or Commercial experience with "Blue Chip" companies would be an advantage, but the prime requirement is for high calibre, qualified Accountants with the necessary skills, drive and enthusiasm to play a leading role in ensuring our future

This is a unique opportunity to join us at the start of a period of very dynamic change and offers excellent prospects for those who can prove themselves. In addition to the salary and car the benefits offered include a generous relocation package, BUPA, flexible pension options and free life insurance.

If you find this challenge attractive ring: Mr Chris Mellor, Head of Finance and Planning on 0490 433433 for a confidential discussion or send your

CV to him at
ANGLIAN WATER, AMBURY ROAD,
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To arrive by 14 July 1989

All applicants are considered solely on the basis of their suitability for the job



#### **ROBINSON GROUP** GROUP FINANCIAL CONTROLLER

Circa £30K

The Robinson Group is a £40 million turnover private Company, manufacturing soft drinks and packaging materials. The Company has recently restructured into two Operating Divisions in order to maximise market focus and take advantage of the dramatic growth opportunities available to its core businesses. Turnover and profit will continue to expand substantially by organic growth and by a planned programme of acquisition.

The growth strategy now requires the appointment of a high calibre professional to this new appointment which reports to the Group Financial Director.

The overriding aim is the maintenance of strong financial controls and best accounting practices within the Robinson Group.

The key responsibilities are:

ration of accounts and statistics for Group Board Meetings.

Co-ordination of the short/medium term planing process.

Investigation of potential acquisition targets.

Candidates should be ACA or ACMA, aged probably 30 to 40 with manufacturing experience within an operating Division, plus a period spent at Group/Head Office level. You should possess a keen intellect and energy combined with the confidence and professional skills to communicate at Main Board and Divisional level.

ano remmeration package includes a substantial performance bonus, fully expensed executive car, private medical insurance and a generous relocation package to this attractive rural Midlands location. In return you will enjoy a challenging and diverse role with considerable scope for personal and carear development.

Please telephone or write for an application form to:-

Graham Shaw, Personnel Manager, C Robinson and Co Ltd., Tembury Wells, Wores WR15 SHB 6584 810567 Ext 270

#### ASSISTANT FINANCIAL ACCOUNTANT SALARY £18 - 20K PLUS CAR

Air Express International, a worldwide air freight forwarder and the market leader in the UK requires an Assistant Financial Accountant to help us develop and improve the reporting formats of our UK Division.

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To meet these demands, you should be a part or newly qualified accountant of the ACA, ACCA or ACMA

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Air Express International



#### **DYNAMIC FINANCIAL** DIRECTOR DESIGNATE

A retail, upmarket, fashion group with branches nationwide requires a financial controller (director designate). The group is currently restructuring its' expansion programme with the objective of a stock market flotation in the short to medium term.

The successful candidate is likely to be a dynamic. qualified accountant, preferably with previous retail experience. The negotiable renumeration package is circa £40,000.00, and an early board appointment is envisaged.

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**EUROPEAN FINANCIAL ANALYST** £ market rate

- ▲ PROJECT WORK
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A highly successful blue chip group is seeking recently qualified ACA/CIMAs to undertake marketingled analysis and project work.

Based in Paris, the business covers major European operations and individuals should combine fluent French with commercial drive and a bright personality.

Contact Pippa Curtis on 01-836 9501

#### MULTINATIONAL

Europe

£30,000

A MAJOR BLUE CHIP A INTERNATIONALLY BASED A BUSINESS ORIENTATION

This premier UK plc is seeking recently qualified ACAs who have strong language abilities.

The company requires bright individuals to be based in Brussels for operational review of their European based units or for project development work throughout Europe.

Contact Liz Osborne on 01-836 9501 ref. FT86B.

#### **BLUE CHIP COMPANY**

CORPORATE FINANCE

London

to £25,000 + car

A RECENTLY OUALIFIED ▲ FIRST CLASS ACADEMIC RECORD

Global leader seeks ambitious ACAs to meet the challenge of the exciting world of acquisitions and disposals. Excellent analytical and communication skills are prerequisites. Outstanding group prospects and career potential.

Contact Tom Seaden on 01-836 9501 ref. FT86C.

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Package to £30,000 City

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A rare and exciting opportunity to join a Blue Chip organisation in an analytical role. A small amount of travel to overseas subsidiaries is an attractive feature of the position. French/German/Spanish and Italian speakers preferred although there are also oppor-tunities for non-linguists.

Contact Peter Green on or-836 9501

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▲ USE A 2ml LANGUAGE

Advise blue chip corporates and public organisations on their approach to the opening of a single market in Europe in 1992 and to assist in exploiting the potential business opportunities.

A good degree together with a minimum of three/ four years' European experience is essential. Detailed CV please, quoting reference FT86E to Lau Tomisson at Douglas Llambias Consultancy Services, Freepost, 410 Strand, London WC1R oBR.

#### **PUBLIC PRACTICE**

Marbella, Spain

Top 20 firm is seeking to expand its Spanish office. Vacancies exist at the ACA/ACCA newly qualified level up to Partner designate. Experience will be varied to reflect the diversity of a small, growing firm. Fluency in

Contact Noeleem Gibson on or-836 9501 ref. FT86F

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LONDON **01-836 9501** MANCHESTER 861-236 ISS3 **Outstanding Finance** Opportunities With UK Market Leader

Within their markets this group is an undisputed leader. A highly regarded household name they have a worldwide organisation. They are now entering a very exciting stage in their development having invested heavily in new technology and plant — modernisation. This climate of expansion offers significant scope for professional achievement, consequently the following UK positions present financially experienced individuals with the opportunity to develop their potential within a dynamic and successful environment.

#### Financial Director

West Midlands,

c £37,500, Car, Benefits

This rapidly expanding company designs, manufactures and distributes a range of capital goods and information equipment for use in retail and range of capital goods and information equipment for use in retail and industrial applications. They are a prime technology company with worldwide sales in excess of £50 million. They wish to appoint a high calibre Finance Director aged 35 to 45, professionally qualified to be responsible to the Managing Director. This key role calls for a person with broad experience of electronic manufacturing businesses who can contribute equally to the overall business direction as well as developing costing/manufacturing control systems and controlling product development and costs. It is essential that you have a strong flaxible personality with a high energy level, are commercially aware with good communication and man management skills. Ref. B18070/FT.

#### Financial Director

West Midlands. c £27,500, Car And Executive Benefits

This company is a major manufacturer of capital equipment for the packaging This company is a major manufacturer of capital equipment for the packaging industry with outstanding potential. The company is now entering a very exciting and challenging period following recent substantial new product investment. Reporting to the Managing Director, this is a key role in the Company. Aged 30-40 and professionally qualified, it is essential that you have the understanding and experience in the assembly and component manufacturing field and particular knowledge of manufacturing costing and control systems. You will have experience of computer based accounting systems, export procedures and presently be managing a small to medium sized finance function. This is very much a hands-on role, to succeed it is essential that you possess a strong personality, are commercially aware and essential that you possess a strong personality, are commercially aware and able to communicate well at all levels. Ref. B18071/FT.

In addition to the highly attractive salary levels quoted, both positions carry a comprehensive range of benefits usually associated with a large group including relocation assistance where appropriate, career prospects are

Mala or female candidates should submit in confidence a comprehensive c.v. or telephone for a Personal History Form to, G.J. Deakin, Hoggett Bowers plc, 13 Frederick Road, Edgbaston, BIRMINGHAM, B15 1JD, 021-455 7575, Fax: 021-454 2338, quoting appropriate reference.

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#### **Financial** Director

Volume Industrial And Consumer **Products** Yorkshire £35,000, Car,

Benefits

You will be responsible for the financial function of this prestigious £50m plus turnover subsidiary of a major British plc. Engaged in the manufacture and supply of a range of volume industrial and consumer products, the organisation, based at two sites, operates in world wide

Controlling a significant financial department, over 50 in number responsibilities also cover DP and purchasing. Ideally aged mid thirties plus, a qualified accountant, you will have a first class grasp of integrated systems within a manufacturing/engineering environment. As a key member of the Board it is essential that you have first class communication skills plus the ability to make a commercial contribution to the business.

J.A. Thomas, Ref: L13128/FT. Male or female candidates should telephone in confidence for a Personal History Form, 0532-448661, Fax: 0532-444401, Hoggett Bowers plc, 7 Lisbon Square, LEEDS, LS1 4LZ.

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### Manager **UK & Europe**

Major Plc

to £40,000, executive car

Midlands based

Strong financial management and controls have Group Audit Strong financial management and controls have belped gain this Emulti billion turnover group an enviable track record. The group has a product diversity as wide as the markets it supplies and the countries in which it operates. Restructuring has created this new role to manage the audit and financial services department with particular emphasis on further developing the audit policies and standards.

> This is an opportunity to make a positive contribution to the profitablity of the group with a need to build up a close working relationship with senior operational management.

Financial qualifications and audit experience of the highest standards are essential: these must be coupled with proven management and communication skills. Aged around 35 plus, candidates should ideally have had financial line experience within a major company.

A comprehensive benefits package including relocation assistance is offered and there are future career opportunities within the corporate finance area or in a Senior divisional/operating



Male or female candidates should send comprehensive c.v. or telephone for an application form to Howgate Sable & Partners, Arkwright House, Parsonage Gardens, Manchester, M3 2LE. Telephone: 061-839 0069 quoting reference: (F.T.251C).

**EXECUTIVE SEARCH AND SELECTION** 

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This philosophy is driven right through our

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With a turnover approaching £1 billion and 2.2 million customers, British Gas North Western represents the largest Region within British Gas plc. The financial management of a business of this size and vigour is complex and considerable, calling for highly skilled professional accountants with a breadth of hands-on experience.

We are now looking to appoint a new generation of Financial Services Managers to actively work alongside either the Engineering, Marketing or Administration functions. Reporting to the Assistant Chief Accountant, each manager will be responsible for the provision of a fully integrated accounting service, contributing to the development of the functions business and financial strategy. Above all you will be able to respond to commercial challenges and business needs, including increasingly tight timescales.

You should be fully versed in all aspects of financial planning, budgeting, appraisal and

financial planning, budgeting, appraisal and reporting techniques, using state-of-the art IT. A full professional accountancy qualification is A full professional activation by quantitation as essential, plus the ability to contribute a strategic drive to the financial management of the particular business areas of the Region.

Each position calls for effective interpersonal

skills necessary to promote a high profile image. Career prospects are excellent for those who show potential and can contribute to the success of Paritish Gas.

We offer an excellent remuneration package with salary as indicated, leased car scheme, profit share, pension scheme, personal accident insurance plus relocation assistance where

applicable.
Please apply in confidence with full CV to:
Please apply in confidence with full CV to:
Please apply in confidence with full CV to:
British Gas North Western, Welman House, Golf-Road, Altrincham, Cheshire WA15 8AE. For further job details telephone Alan Houghton, Chief Accountant on 061-928 6311. Closing date for receipt of applications is Friday 7th July 1989.

An equal opportunity employer

## **British Gas** North Western

A leading U.S. watch manufacturer with a worldwide distribution network

## **ASSISTANT FINANCIAL** CONTROLLER

for one of its subsidiaries in EUROPE

Based in an attractive French/German speaking area, this challenging post offers an exciting opportunity to exercise initiative and gain international exposure in the stimulating environment of a successful and rapidly-growing company. A realistic salary will be negotiated.

Reporting to the Finance Director, responsibility is for the efficient day-to-day management of the accounting function and the provision of financial information to management as appropriate. There will also be an important involvement in international legal and tax matters. Candidates, probably 28-35, will be graduates with a formal accounting

qualification who can demonstrate:

\* Previous relevant experience with an international company or

accounting firm

An understanding of the workings of a U.S. or U.K. based group

Creativity and ambition

Reasonable working knowledge of French or German.

Genuinely interested applicants who meet these requirements should write in confidence enclosing a c.v. to:

Charles Oswin, Haymarket Consultants, 1 Golden Court, The Green, Richmond, Surrey TW9 1EU.

HAYMARKET consultants

#### Group Financial Controller

North East London Salary to £30,000 + car

Our client is a very successful and profitable Veterinary Group based in North East London and Essex. The Group has been established for over thirty five years and has a number of related interests consisting of quarantine kennels, a veterinary hospital, a pet crematorium and cemetry, a large farm based in Essex and ownership of valuable property in the West End. As a result of their continuing growth and expansion, the Chairman has identified the need for an entrepreneural and competent accountant to oversee and regulate the Group's financial needs.

Reporting directly to the Chairman, the Group Financial Controller will be fully responsible for the management and financial accounting functions of the Group. This will involve a complete update and review of the existing systems, both manual and computerised. The encumbent will also play a proactive role in the future acquisitive growth of the Group.

candidates should be qualified accountants aged between 26-40, although age is not a critical factor. A good working knowledge of computerised accounting systems combined with strong delegatory and management skills are essential prerequisites for this highly unusual and challenging role. Interested candidates who meet these criteria should send a comprehensive CV including current salary and a daytime telephone number, quoting reference number LM 589, to Carol Jardine, Spicers Executive Selection, 13 Bruton Street, London WIX 7AH.



SPICERS EXECUTIVE SELECTION



## **FINANCIAL TIMES** MPANIES & MARKETS

Thursday June 29 1989



#### Forward with the Swedish revolution



INSIDE

Monday will be big day for Bengt Dennis. Out will go most of what remains of Swedish forign exchange controls and, as governor of the country's central bank, Dennis will be left to wrestie with the growing problem of capital out-flows. The chief architect of his country's financial revolution in the 1980s is

convinced, however, that there can be no going back. Robert Taylor talks to him about his strategy as the country reaches the final stages of economic liberalisation and deregulation. Page 22

Watanabe cast as chief villain Kolto Manufacturing, the Japanese company under slege from T. Boone Pickens, the US corporate raider, and Mr Kitaro Watanabe, his Japanese ally, hit back in a very tough-talking American-styla yesterday. It mada clear that its main adversary was not Mr Pickens but Mr. Watanabe, who previously held the 20.2 per cent stake now owned by the American'e private investment company. Stefan Wagetyl looks at Koito's refusal to give ground as Pickens demands three seats on the board. Page 20

Soya destroyers go to war



every aspect of the Industry. Militant farmers have blocked roads, bealeged processing cen-tres and burnt tons of soyabeans in public, Alysson Paulinelli, president of the National Ayson Paument, president of the National Confederation of Agriculture declares: "Farmers are being victimised by a triple garotte: no credit, price freezes and a ridiculously overvalued currency." He insists farmers will not sell a single bean until their grievances have been settled, reports John Barham, Page 26

issues in a non-vintage year.

London Stock Exchange

The first half of 1989 may have seen a sherp upsurge in the prices of companies already quoted on the London \*\*\* stock market but it is not guoted on the London stock market but it is not going to go down as vintage period for new issues. On the contrary the first six months have 1988 1989 seen both the number of companies joining the

market, and the funds they have raised, fall significantly from the more or less stable levels of the previous two years. Clare Pearson

Malaysia's party pooper

The Malaysian stock market has been one of the world's better performers this year, but for-eigners may be hindered from building up investments there because of a shortage of top quality stocks, writes Wong Sulong. Page 40

Market Statistics

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## GEC at top end of City Gateway's Daimler to raise forecasts with 13% rise

By Terry Dodsworth in London

PRE-TAX profits at General Electric Company, Britain's larg-est electrical and electronics group, rose 13 per cent last year as the company registered strong performances in its office equip-ment, electronic measurement

ment, electronic measurement and power systems divisions.

The strong uptimn took GEC's profits up to £797m (\$1.250n) against £708m in the previous year, well above the group's previous high-point of £725m in 1985. With the figures at the top end of City expectations, the share price put on 8p to 256p, setting the stage for an expected new bid for the Plessey electronics company.

GEC gave no indication yester-

GEC gave no indication yester-day, however, of when the antici-pated offer for Plessey, made ini-tially last November in colla-boration with Siemens of West horation with Siemens of West Germany, might be renewed.

The Anglo-German consortium is at present negotiating formal agreements with the Government to prevent Plessey's military secrets passing into West German hands if a bid were successful. At the same time, the two sides are also working on commitments that would maintain commetition in the defence sector.

delivered within a few days. But although the discussions have been going on for about 10 weeks, it is by no means certain that the latest proposals will end the negotiations. According to GEC, the main problems are in the area of preserving competition, where the MoD is believed to be taking a tough line, partly because of its unhappiness over

because of its unhappiness over the proposed break-up of Plessey. Turnover last year amounted to £8.45bn, up 16 per cent from £5.55bn, while trading profits also rose by 16 per cent to £653m from £561m, and earnings per share by 13 per cent to 19.1p from 16.9p. The proposed final dividend of 5.65p would raise the year's total by 20 per cent to 7.8p from 6.5p. Profits were slightly depressed by £2.7m charged for the Plessey bid.

In addition, the results included significant contributions from several recent US acquisitions. The most important of these were in the A.R. Dick office equipment and printing division in the US, which saw trading profits jump to £34m from £25m, and electronic meaning the contract of the co competition in the defence sector.

The Ministry of Defence's latest draft document on these undertakings is expected to be

The Marconi defence business, under pressure last year from tighter government contracts, nevertheless lifted profits by 10 per cent at £200m from £178m.

Per cent at 220m from £179m.

Power Systems, where GEC is expected to benefit from the upturn in power station orders, increased its trading profits to £111m from £39m, while the semi-conductor division achieved a 67 per cent increase to £30m from £18m after eliminating loss making lines. ing lines.

The weakest areas were tele-communications, where the group's GPT joint venture with Plessey, which was in the throes of reorganisation last year, had profits of £7...1 against £81m.

The consumer goods division, centered on the Hotpoint group, and now merged into a joint ven-ture with GE of the US, saw prof-its rise only marginally to £63m. These figures demonstrated the impact of higher interest rates on consumer spending, which began to reduce sales and margins in the division after last Christmas. GEC says this squeeze has inten-sified in the consumer goods divi-sion since its year end in March, and that profits since then are

## Exotic fruit whets the German appetite

Andrew Fisher on the growth of company buy-outs

n West Germany, new finan-cial ideas tend to be treated gingerly, rather than picked up avidly. So until recently a vry save laugh, would have greebed the notion of a well-established. company, in a typical German industry like engineering, being bought by its managers and out-side investors and then, not long after, coming to the stock mar-ket.

Yet, for the first time in Germany, a company is about to to complete this very process — an indication that the concept of the management buy-out, so popular in the US and UK, is starting to gather momentum in the Repub-lic - though it still has a long

way to go.
The company concerned is Ex-Cell-O, an impovative and expansion-minded machine tool company with a turnover of around DM200m (\$102m), and its path to the stock market provides some significant pointers to the cur-rent state of the German finan-

cial markets. In May 1987 Ex-Cell-O under-took what was then the country's largest management buy-out, in a deal worth some DM100m. Textron, its US conglomerate parent,

was the seller.

Next week, voting shares of the company will be given a listing in Frankfurt and Stuttgart on the junior Geregelte Market (regu-lated market), designed for small

lated market), designed for small companies not yet ready for a full listing.

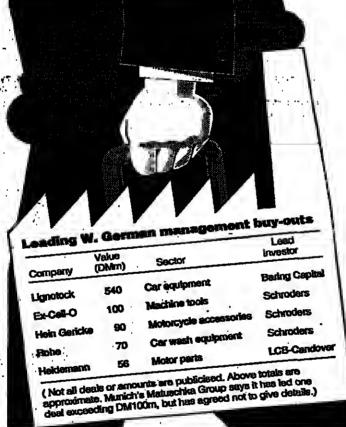
To move from being a subsidiary of a big transatiantic concern, via a management buy-out, to a stock market listing in just over two years is fast going for Germany. In the early- to mid-1980s, buy-outs had hardly been heard of in the country.

Those bankers and industrialists vaguely familiar with the concept tended to regard it as an exotic foreign creation which they would rather leave alone. But Ex-Cell-O's example could well encourage other managers to follow the same route.

That, at least, is what the pro-ponents of buy-outs hope — and many of them are non-German, British venture capital companies. They recognise, though, that they have a lot of converting to do : while there is no shortage of dynamic and successful German managers, there has not exactly been a long queue of them clamouring to participate magement buy-outs, as in the US or Britain.

On the Continent, France has been more responsive to buy-outs than Germany, though Raly lags behind both. France seems to adopt foreign ideas more readily, says Mr Nicholas Ferguson, chairman of Schroder Ventures in London. "In Germany, the buy-out concept was greeted with deep suspicion. But atti-tudes are gradually changing; there is no longer so much hostil-

It was Schroder Ventures, part of the Schroders merchant banking group, which arranged and helped to finance the Ex-Cell-O buy-out. It hopes to bring another of its German himsents to the of its German buy outs to the market in around nine months. Although it was always the intention to sell Ex-Cell-O shares to the public, the process has moved more rapidly than expec-



The company has clearly been helped by soaring European demand for German engineering products. Ex-Cell-O selis abroad around half of its production of specially-tailored machine tools for the motor, engineering, and aerospace industries.

Also, the German stock m has emerged from a period of lan-guor which contrasted oddly with the powerful earnings perfor-mances shown by many compa-nies recently. Ex-Cell-O is the largest new issue so far this year, with nearly DM110m of shares being placed with German and foreign investors.

That, however, is not really saying a lot, for the new issue market has hardly been buoyant since the crash of October, 1987. More interesting is the fact that Ex-Cell-O and its advisers have decided to go for a full-blooded issue which will leave 75 per cent of the voting shares in outside hands. Even in the so-called "going public" boom, which accompanied the bull market which peaked in April, 1986, many new issues offered only a minority of shares in companies being floated and the equity was often in non-vot-

ing preference form.

o while investors could par-Sticipate in the capital gains from successful issues - or lose out when shares plummeted they could hardly influence the shape or direction of the companies in which they invested. Of course, Ex-Cell-O is different from many small and mediumsized companies in Germany, quoted or not, in that it is not family controlled. So there was less inherent reluctance to expose the company to the pres-sures and whims of the market. The lack of timidity no doubt also reflects the influence of ExCell-O's UK financial mentors. Mr Robert Osterristh, managing director of Schroder German Venture Advisers, says the idea was to enable the stimulative effect of the bourse mechanism to work fully on Rx-Cell-O.

That, certainly, is more of a US or British notion than a German one. So far, Ex-Cell-O, which is forecasting a sizeable earnings rise in 1989 from last year's DM3.4m, has had little trouble adapting to life on its own.

It moved quickly after the buyout to close its unprofitable UK operation, incurring costs of some DM11m as a result last year, and is eying potential acquisitions in the US.

n highly industrialised Germany, with its host of small, mostly family-owned, companies, there is clearly scope for more buy-outs. Companies like Ex-Cell-O abound, whether in engineering or other sectors. Yet progress is likely to be stately rather than headlong.

Mr Ferguson reckons that makes for a healthler situation than in Britain or the US, where prices have become inflated as deals have multiplied. Ideas are propagated much more quickly in America and the UK." With the threatened

removal in 1990 of tax breaks for private individuals selling company stakes, a rush of buy-out deals was expected this year. Some have been speeded up. The tax threat has now been removed for capital gains up to DM30m. But even without such an artificial stimulus, participants in the financing market like Schroders, 3l. and Barings — all from Britain — and Germany's

Matuschka Group, have seen enough potential to keep scour-ing the industrial landscape for

new candidates.

## value set to rise

again By Nikki Talt in London

THE value put on Gateway, Britain's third largest food retailer which is subject to two rival bids already worth more than £2bn, could rise again after a statement yesterday from one of the hidders.

of the hidders.

Newgateway, the bid vehicle for Wasserstein Perella and Grest Atlantic and Parific Tea Company, said it would issue a further amouncement regarding the terms of its offer no later than Monday morning. "This offer, which will be declared."

offer, which will be declared final, may represent an increase on Newgateway's recommended offer of 237p in cash," it said.

The rival hidder Isosceles is now offering lower cash terms worth 230p a share, although it does have a cash and paper alternative. Salomon Brothers, the US investment bank, has said it believes the equity element in this is worth the equivalent of 30p.35p per Gateway share, although its background assumptions have not yet been published. On this valuation, done at Isosceles' request, the cash and paper alternative is worth 245p to 250p.

paper alternative is worth 240p to 250p.
Yesterday, Mr Jim Wood, A&P's chief executive, spelt out more fully his plans for the Gateway chain if the joint bid is successful. He said that he expected to focus the chain on a regional basis, pulling out of areas where Gateway is weak and has low representation.

representation.
Rationalising in this way rather than by store size, he suggested would produce greater distribution and advertising cost savings. Areas which Gateway might pull out of would include London, where its market share its only 7 per cent, the is only 7 per cent, the North-West and certains parts of the Midlands and Yorkshire, he said. It would then retain a strong presence in Scotland, the North-East, East Angila, part of Wales and the South-West and along the South-Coart.

water and the South Coast.

He suggesting that the number of stores sold might be around 300, reducing the chain to

The disposal proceeds could account for the balk of the £700m-£750m which Newgateway has said it plans to raise. The sale of "non-core" parts of Gate-way are also likely, although Mr Wood indicated that the Wellworth chain in Northern Ireland would probably be kept. Isosceles, in reply to the Newgateway statement, retorted:

"everytime they put the price up, it underpins the value of our equity "stub." In the wake of the cement, Gateway shares climed 112p to 238p.

# around DM1.5bn

By David Marsh in Berlin

DAIMLER-BENZ, the West German motor conglomerate, is planning to raise capital through planning to raise capital through
a one-for-ten rights issue to
strengthen its financial
resources, but no date for the
transaction has been set.

Mr Edzard Reuter, the chairman, announced the long-awaited
capital increase at the annual

meeting yesterday, but pointedly said timing and conditions had not been fixed.

not been fixed.

Issue of new shares at around yesterday's share price of DM717 would raise as much as DM3bn (\$1.55bn). But it seems likely that the issue price will be much lower, making the amount of capital raised perhaps only around DM1.5bn, officials indicated.

Mr Reuter said Daimler-Benz Mr Reuter said Daimler-Benz turnover in the first five months rose 3 per cent to DM29.3bn. Car sales fell 8 per cent to 230,000, above all because of falling demand for diesel cars in Ger-

Mr Reuter, who is in the midst of a wholesale restructuring of the Daimler group, told share-holders that group profits in 1989 would be around the same as last year's net earnings of DM1.70bm.
This compares with DM1.70bm in
1987 — a trend which he admitted might appear "disappoint-

Turnover in 1989 would rise only about DMIbn from last year's DM73.5bn.

In view of the company's earnings stagnation, a sizeable discount seems likely on the issue price of the new shares. Company

Lex, Page 16



tain whether the rights issue would take place in 1989 or 1990. Mr Reuter defended again

Daimler's planned takeover of Messerschmitt-Bölkow-Blohm (MBB), saying that the transac-tion — if approved by the Eco-nomics Ministry this autumn — would hardly add to the com-pany's overall weight in the Fed-

eral Republic.

He said the European airliner
venture to construct the airbus needed to be put onto a private sector basis. He saw the MBB takeover as a step in this direc-

#### Italian groups forge three-company union

By John Wyles in Rome

TTALY'S FERRUZZI, Varasi and Cabassi groups are to bring together many of their interests in publishing, insurance and property in a single holding company to be quoted on the Milan stock exchange.

In a complicated operation, Isvim, a holding company owned by property-developer Mr Gioverned Cohesel will be given by the control of the country to th

anni Cabassi, will be given two capital increases: the first, to be underwritten by the Varasi group, will take its capital from L12bn to L134.64bn while the second the beauty of the second to the second to the second two the second two transitions are the second two transitions and the second two transitions are second to the second two transitions are second to the second two transitions are second to the second transitions are second transitions. ond, to be underwritten by Mr Raul Gardini's Ferruzzi, will raise its capital to L382.9bn (\$272m).

At the end of this exercise, Ferruzzi will hold around 40 per cent of Isvim, with the remainder equally divided between Cabassi and Varasi, the main interests of which are paints and inks.

Fifty-one per cent of the com-pany will then be placed in a new

holding, Finisvim, with half of this majority position held by Ferruzzi and half by Cabassi and Varasi. The minority holding will then be floated in Milan.

passed 10 per cent of its equity to West Germany's Springer publishing group in exchange for an equivalent holding, together with Ferruzzi's 21.66 share of Rizzoli-Corriere della Sera. Italy's second largest publisher. Its other activities will include

the losoa research and consultancy house and Buffetti, the national chain of stationary

The insurance sector will wholly own Europa Assicurativa (Cabassi) and 51 per cent of Bav-aria Assicurativa (Ferruzzi). Gardini shows his hand, Page 18

YOUR

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#### INTERNATIONAL COMPANIES AND FINANCE

## Abbey confident of heavy subscription as offer ends

By Clare Pearson in London

THE £975m (\$1,520m) offer of shares in Abbey National's £1.7bn stock market flotation closes this morning with the building society confident the issue will be more than fully subscribed.

The indications last night, after the passing of the 5pm deadline for hand delivery of application forms to branches, were that the level of subscription to the offer would be about 11/4 times.

Five receiving centres around the country are open to take last minute hand-delivered applications until 10am today, which is the deadline for receipt of forms sent by post.
Abbey will formally announce later this morning whether the issue has been fully subscribed. But the pre-cise level of subscription, and the exact basis of allocation, will be announced in Monday

morning's newspapers.

Abbey was confident enough

By Enrique Teasieri in Helsinki

RAUMA-REPOLA, Finland's

second largest privately-owned company, plans to raise around FM537m (\$123m) in a one-for-

five rights issue of 22.38m new shares at FM24 apiece.

forest products group with net

sales of FM9.7bn last year, will

propose the issue at an extraor-dinary meeting of shareholders on August 8. The offer will be

open from August 14 to Sep-

The company's share capital will be raised by FM223.8m

tember 22.

Rauma, an engineering and

about the level of subscription the first day of dealing, an 18 earlier this week to decide not to extend the offer deadline by a day, despite yesterday's rail

It is, however, feared this may have delayed some postal

Abbey is expected to say today that Lloyds, the receiv-ing bank, will make efforts to count in those forms that were clearly posted in time but became delayed. It has also been providing replacement forms at branches for those

people concerned about a postal delay.

Abbey National is set to join the market on July 12th as the final stage of its six-month long conversion from a building society to a public coming society to a public com-

yesterday, IG Index, the bookmaker specialising in financial betting, was quoting a middle price of 153½p for the closing level of the shares on

from FM1.12bn to FM1.34bn.

The 22.4m 288 shares will have a nominal value of FM10 and

the premium generated would be FM313.8m.

year the company would seek authority from the board of

directors to generate an addi-tional FM120m through either

a directed share issue, convert-

The new capital generated from the rights issue and the

yet-to-be-decided additional shares or bonds, which should

ible bonds or warrant bonds.

Rauma added that within a

per cent premium to the 130p

offer price. Some 750m shares are for sale to Abbey's 5.6m qualifying savers and borrowers and the society has said all those who apply validly are guaranteed at least 100 each.

In addition, members are being given free shares in the

Though branches stayed open till 8pm on Monday and Tuesday to cope with any late rush, Abbey members have been sending in their applications steadily and briskly throughout the last week of the offer.

the offer.
The Cheapside branch in the City of London at 5pm yester-day was quietly winding down, with just a trickle of applicants wandering in. But an Abbey spokesman said that in Knightsbridge there had been long queues and some feverish pushing and shoving.

Rauma offer to raise FM537m total some FM340m, will be earmarked to help finance new acquisitions inside and outside Finland in the forest industry and engineering sector, Rauma

Rauma has also shown interest in either upgrading or building a new pulp mill that would replace the existing one in the city of Rauma that has an annual production of 170,000

Rauma has more than 70,000 shareholders and a market value of FM4.5bn.

## French state sector posts approved

By George Graham in Paris

THE FRENCH Council of Ministers yesterday approved the nominations of a series of chairmen of nationalised banks and industrial companies, put-ting an end to weeks of uncertainty over the fate of some of the country's most controver-

The Government reconfirmed Mr Alain Gomez for a third term at the head of

Thomson, the defence and electronics group, despite a highly critical report from the state audit commission, published earlier in the week, on Thom-

son's involvement in the

collapse last year of Al Saudi Banque. Also reconfirmed were Mr Henri Martre, chairman of air-craft and missile maker, Aerospatiale, and the heads of

the three state insurance companies.

The council also approved some already announced changes, including the replacement of Mr Jacques Stern at the head of the Bull electronics group by Mr Francis Lorentz and the nomination of Mr Lolk Le Floch Prigent instead of Mr Michel Pecqueur at the head of Elf Aquitaine, the oil group.

#### |Comit and **Paribas** equity link delayed

By John Wyles in Rome

FORMAL APPROVAL by the hoard of Iri, the Italian state holding company, of the pro-posed exchange of sharehold-ings between Banca Commerciale Italiana and Paribas of France was blocked yesterday in an apparently co-ordinated move by four of Italy's five

governing parties.

The move shocked, surprised and embarrassed Mr Romano Prodi, the Iri president, who had expected a trouble-free link-up between Raly's second largest commercial bank and the French merchant bank.

largest commercial bank and the French merchant bank based on an exchange of 2 per cent shareholdings.

But when the proposal came to a vote six of the 10 board members present abstained, while only four, including Mr Prodi, voted in favour.

Those abstaining were the Those abstaining were the nominees of the Socialist, Social Democratic, Republican

social Democratic, Repunitan
and Liberal parties, together
with the representatives of the
Treasury and the Ministry of
Labour – both departments
headed by Socialist ministers.
The stated reason for the abstentions was the need to "make an overall study of Banca Commerciale's foreign strategy." This will now be presented to the next board meeting at the end of July. The real reason for the manoeuvre may not be unconnected with the political crisis

and the the governing parties' aversion to endorsing any significant new initiatives. The Paribas deal would reduce Iri's stake in Banca Commerciale from 59.4 per

cent to 57.4 per cent.

Meanwhile, Iri was left worrying about the impact on its image and credibility abroad when it is constantly seeking new cross-border alliances.

#### **Buy-out at Baltica**

BALTICA Holding, the Danish insurance and finance group, is selling its Baltica Invest sub-sidiary to the unit's management after a decision by the Government that effectively puts a stop, says Baltica, to almost all forms of limited partnership share projects, writes Our Financial Staff.

## Gardini shows his Enimont hand

John Wyles sifts speculation about the entrepreneur's motives

years' time he intends to try to acquire full control of Enimont, the Italian basic chemi-cals joint venture he has set up with Eni, the state-holding group, has created alarm and division in Italy's caretaker Government and acres of spec-ulation about his motives.

Most of the critical reaction has been belated realisation by some politicians of the extraordinarily good deal which Mr Gardini negotiated when it was agreed last year to merge the basic chemicals activities of his Montedison with those of the Eni subsidiary, Enichem. Mr Carlo Francanzani, the Minister for State Sharehold-ings, and Mr Franco Reviglio, the Eni chairman, are under which gives all the powers of creative initiative to Mr Gar-dini and most of the negative responsibilities to Eni and the

The agreement allows for changes in the present 50-50

r Raul Gardini's joint venture in three years, and the only obstacle to a Gardini bid to create a single Italian chemicals giant by merging Montedison's very profitable specialised chemical activities with Enimont would be a withholding of consent by End and

the Government.

But this might not only appear to run against industrial logic; it would also mean the full renationalisation of basic chemicals, since Emiwould be required to buy Montadison out of Emimont for a tedison out of Enimont. In a nutshell, if Italy wants a fully integrated chemicals industry, it will have to be run by the private hands of Mr Gardini. It is already being suggested that Mr Gardini has breached the agreement by declaring his intentions now rather than in the lowers. the January 1 March 31, 1992, period stipulated by the accord. At the moment this is only a technical point which is of far less general interest than the question as to why Mr Gardini is being so premature

The two most popular theories are either that he is trying



Raul Gardini: strengthe edison managerial band

to engineer his way out of the joint venture or that he is sending a very specific mes-sage to the former Enichem managers now holding key positions in Enimont. The "heading for the exit" school holds that with the chemicals cycle at its peak, Mr Gardini could probably get a much bet-ter price for the Montedison

assets now than in three years.
This view is rejected by Ferruzzi insiders who believe that the one aspect of the bargain which Mr Gardini failed to wis was on company structure and the distribution of manage-ment posts, it is said the Montedison managers inside Eni-mont are both complaining that they lack sufficient power and rubhishing the quality of many Enichem colleagues.

By coming out into the open now, Mr Gardini is both strengthening the Montedison managerial band, and encourmanagerial bains, and encour-aging the Enichem group to perform under the threat of a parge once he is in control. – In the meantime, Christian Democrat and Socialist ministers are at odds over the decree law, tallor-made for Mr Gar-dini, which gives him Léssim (3583m) of special tax deferrals he wants in connection with the Enimont deal

This has to be renewed by July 14 and Mr Paolo Cirino Pomicino (DC), Minister for Public Employees, wants to amend it to thwart Mr Gardini.

## Magnet buy-out 'not yet home and dry'

BANKERS TRUST, financial adviser to Mr Tom Duxbury and his boardroom buy-out team at Magnet, warned yes-terday that the £629m (\$980m) hid for the Yorkshire-based kitchen company was not yet "home and dry" in spite of the fact that the ordinary offer was declared unconditional earlier

The latest acceptance figures were published yesterday, showing that shareholders with 85.3 per cent of the ordi-nary shares and 70.3 per cent of the convertibles have now endorsed the deal, up from 80.2 and 68.5 per cent at the fourth closing date earlier this month. The £73m convertible offer has been extended until next Tuesday - under UK takeover rules the very last day that the deal can be declared wholly unconditional Mr Colin Keer, managing director of Bankers Trust in London, said yester-day that it seemed increasingly unlikely that the convertible offer would win 90 per cent

backing by then.

If acceptances fall short of this, a two-thirds majority (by value) of the financiers provid-ing the funds for the leveraged transaction must give their approval for the deal to go ahead. Mr Keer suggested that the backers would be extremely unlikely to give their supportal if accordances. their approval if acceptances falled to reach 75 per cent; he was hopeful that they would suprave the deal if this level were reached

The buy-out team has exam-ined the technical aspects of

living with a minority share-holding. Mr Keer said he thought it would be possible to take the company private so long as acceptances from ordi-nary shareholders topped 99 per cent; even if 25 per cent of the convertible shareholders refused to back the deal, that would only represent 2.5 per cent of the company as a

whole.

The offer is widely thought to be something of a test-case for the farairs of buy-out hids

## Audit pushes Turkish trader into loss

By Jim Bodgener in Ankara

A MARGINAL loss has resulted from an audit by Arthur Young of the 1988 accounts of Turkey's leading trading house, Ram dis Ticaret, compared with the TL700m (\$325,000) profits that emerged from the company's own internal audit for

the year.
The discrepancy was due to

different accounting principles, according to Mr Evren Artam, Ram general manager, yester-day. However, he admitted that the company had a difficult year in 1988, compounded by the discovery of a

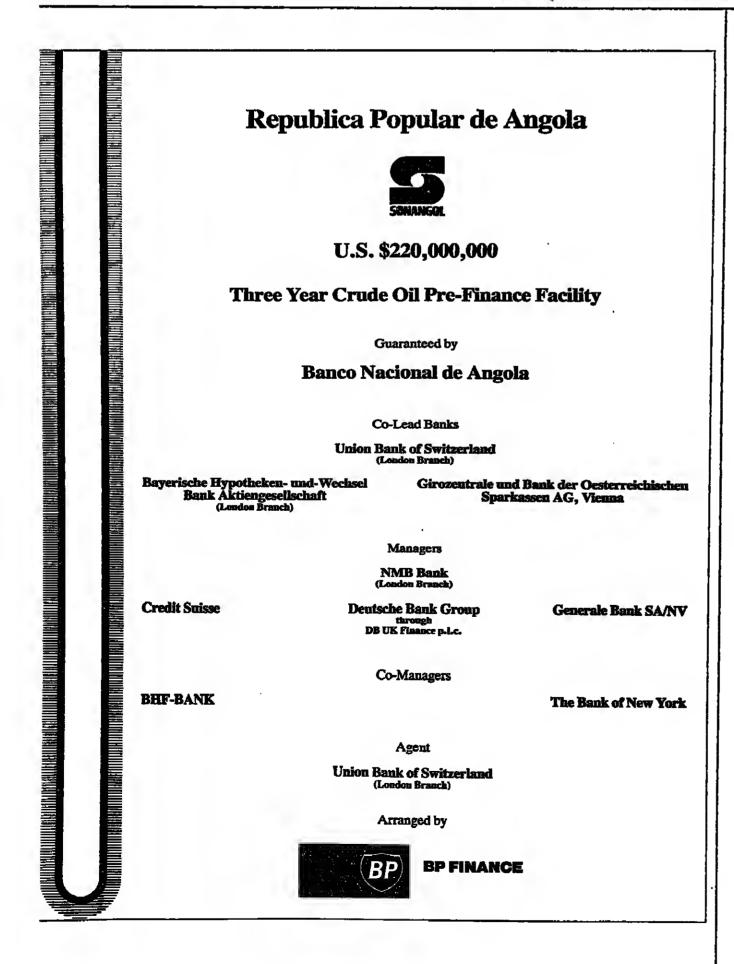
Subsequently, Mr Erol Kuntsal, Ram's accounting man-ager, was dismissed in March,

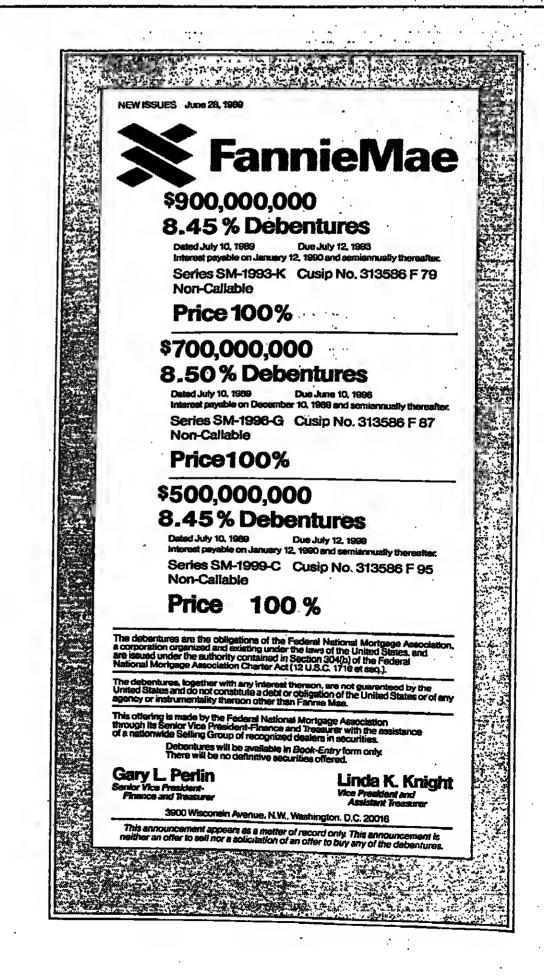
along with three others in the industrial conglomerates, accounts department.
Following the completion of investigations in May, the com-pany's senior management was overhauled early last month through a series of resigna-tions and transfers elsewhere within the parent company. Koc Holding, the nucleus of

one of Turkey's largest

No legal action is contem-plated against the four employees, since they have pledged to pay back the missing funds. About half has been recovered

The company led Turkey's other large trading houses with export sales of \$472m





#### INTERNATIONAL COMPANIES AND FINANCE

## Rand Mines agrees rescue for unit

By Jim Jones in Johannesburg

RAND MINES, the South and direct financial assistance from the Government to cover the costs of pumping underagger a matter rescue package with the Government and creditor banks for its troubled East Rand Proprietary Mines (ERPM), but is still waiting for the Government to reply to a call for help for the Durban Deep Mine.

Deep Mine.

The ERPM financial rescue package includes capitalisation of about R67m (\$24m) of interest payments until the end of 1982, the deferral of R280m in debt small the vice 2002 received. ebt amil the year 2002, provi-ion of an additional R20m of debt capital by Rand Mines

from the Government to cover the costs of pumping under-ground water. The Govern-ment has also agreed to extend

its guarantees of loans from the commercial banks. In Johannesburg yesterday, Mr Clive Knobbs, Rand Mines chairman, said ERPM could return to profits in a few years, provided the gold price averaged R33,500 a kilogram and increased in line with indiation. The mine is cutting its work-force to 9,900, from 17,500 in February and about 18,000 a

ERPM has abandoned lowgrade areas in the older section
of the mine and is concentrating its development effort on
new, richer areas served by the
far eastern vertical shaft. The
milling rate fell to 140,000
tonnes/month in the March
quarter and the mine produced
1,539 kilograms of gold.

Retrenchments and production cut form the core of Durban Deep's extensive and group, has offered to buy Durban Deep's extensive and group and group, has offered to buy Durban Deep's extensive and group and

intends cutting its labour force to 3,600 from 8,000 and to abandon all but its richer and lower cost underground workings. Rand Mines Properties, a com-

kilograms of gold for the three months, at a monthly milling rate of 152,000 tonnes. The milling rate is to be cut to 90,000 tonnes/month. Harmony, the group's largest mine, which produced 7,199 kilograms of gold in the March quarter at a monthly milling rate of 790,000 tonnes, is reducing its workforce by 4,200 from 33,000.

#### Time wins initial battle with Paramount

By Anatole Kaletsky in New York

TIME YESTERDAY won the first skirmish in the legal war it is waging to complete its agreed merger with Warner Communications and thwart Paramount Communications' rival bid.

The Delaware Chancery Court denied a motion from three of Time's biggest shareholders, who had attempted to block the company's annual meeting tomorrow.

The Delaware Chancellor, Mr William Allen, said Time's management was under no

management was under no obligation to send out new proxy materials for the meet-ing, even though Paramount

had announced its \$200 a share tender offer for Time after the proxy materials were sent.

The judgment was seen as significant, although by no means conclusive, by takeover speculators on Wall Street, because Chancellor Allen will be ruling next month on the much more important lawsuit Paramount has brought to block the Time-Warner merger.

Chancellor Allen has fre-

Chancellor Allen has frequently taken the side of shareholders contesting actions taken by corporate boards, although several of his indgments have been overturned by the Delaware

Supreme Court, which has heen more sympathetic to existing managements.

'The fact that Chancellor Allen was willing to uphold Time's decision to go ahead with its annual meeting appeared to strengthen the company's chances in the forthcoming Paramount suit.

Time's shares fell \$2% to \$180% in response to the court ruling, reflecting Wall Street's doubts about whether Paramount will be able to press

mounts will be able to press ahead with its \$200 a share bid. Warner shares gained \$% to \$59%, on hopes that Time would be allowed to buy half

the company for \$70 a share.
Meanwhile Paramount jumped
\$11/4 to \$60% in very heavy
trading, as arbitrageurs saw
Paramount itself would become a takeover target if it failed in its hid for Time. At Time's annual meeting on Friday, Paramount will try to challenge the re-election of four directors, including the chairman and president, but its

challenge is given very little chance of success. The next important confrontation is on July 11, when the first arguments are heard in the Time-Paramount lawsuit at the Delaware Chancery Court.

#### S African miners reject pay offer

SOUTH AFRICA'S black miners have overwhelmingly rejected wage increases offered by the country's gold and coal mine owners, but appear reluctant to strike in pursuit of their demands, writes Jim Jones in Johannesburg

Last week the Chamber of Mines made a revised offer to lift miners' wages by between 13 and 19 per cent, giving the union until yesterday to respond. There is considerable urgency to reach a deal since black wages are traditionally increased on July 1 each year.

The National Union of Mineworkers (NUM), which represents over half of the industry's 500,000 blackminers, called for mediation to resolve differences. In April the union opened the negotistions with demands including an effective doubling of the take-home pay of the lowest paid.

The chamber, which generally co-ordinates the employers' response, replied with an initial offer of 11 per cent but said this was negotiable even though the employers declared a dispute when the union.

Kariler this week Mr Cyril Ramaphosa, the NUM's general secretary, would not rule out strike action but added a ballot would have to be held.

## Niche-market companies head computer group growth league

DRAMATIC growth rates among small, niche-market, computer companies and patchy performances by mini-computer manufacturers and telecommunications companies characterise the annual com-puter "top 100" list published by Datamation, the authorita-tive US data processing jour-

rive US data processing jour-nal.

The fastest growing com-puter company in 1988 was the Nokia Data of Finland which showed a 165 per cent increase in revenues over 1988. It was helped by the acquisition of the information systems divi-sion of the Sweden'e L.M.

In second place was Nynex of the US (up 139 per cent) which acquired AGS Computers, and in third place the relational database company Oracle, also of the US.

The higgest losers were: AT&T, the telecommunications given which was down \$1 Jm.

AT&T, the telecommunications giant, which was down \$1.7bn because of the cost of upgrading its long-distance network; and Atari, the personal computer manufacturer, down \$84.8m after a disastrous move into computer retailing. Declines in the earnings of minicomputer manufacturers, Data General which saw a \$48.9m fall in income and Norsk Data (minus \$41.5m) and

three Japanese, Fujitsu,NEC and Hitachi and two European, TOP 25 OF 1988 DATAMATION 100 Siemens and Olivetti, made up the top 10 computer companies sales (\$m) 12,284.7

9,100.0 8,247.6 6,300.0 5,951.0 5,427.9

5,427.9 5,324.0 5,296.7 4,434.1 4,226.6 3,441.0 3,391.6 3,254.3 3,074.4 3,044.9 2,794.6 2,650.0

2,445.0 2,425.1

2.057.7

(minus \$19.4m) and Seagate Technology (minus \$5.5m), reflect the speed at which tech-nology in the computer indus-try is changing. Five US companies, IBM, Digital Equipment, Unisys, Hewlett Packard and NCR,

Sales of the top 100 compa-nies totalled \$243.1bn, an increase of 16.3 per cent over

Datamation points out that revenues rose by 18.7 per cent the previous year and says: "Profits rose 15.8 per cent respectable, but pallid compared with the 27.2 per cent increase posted the previous

year."
It adds that the creation of a single Europrean market after 1992 has not yet had an impact on the information technology spending patterns of European companies.

Europe accounts for the same 34 per cent of world com-puter sales that it did a year

ago.
"What we are seeing is the calm before the storm," according to Mr Tim Mead, Datamation editor-in-chiel.

"Once organisations in Europe determine their busi-Europe determine their business strategies to take advantage of 1992, there will be a blizzard of investment in the computers and communications necessary to execute those strategies."

Datamation. Volume 25 No:

## Merrill Lynch joins Manhattan exodus

By Roderick Oram in New York

MERRILL LYNCH has decided MERKILL LYNCH has decined to move 2,600 back-office staff from Manhattan into New Jer-sey, incurring the wrath of Mayor Ed Koch who removed the firm as lead underwidter of New York City bonds.

New York City bonds.

The firm emphasised its headquarters, employing 13,000 compared, with only 8,000 people-10 years ago, will remain in Manhattan.

Its loss of underwriting revenues, amounts to only a few million dollars and seemed a gesture aimed by the mayor mayor at yoters in his under-dog race; for re-election.

race for re-election.
Mayor Koch accused Merrill
Lynch of negotiating in bad
faith for subsidies and other
cost-breaks to keep the jobs in the city. He has been successful with a \$35m package last year which prompted Chase Manhattan Bank to missis TRUE.

rather than across the Hudson River to New Jersey.

Merrill Lynch will take 550,000 sq ft and a 23 per cent equity interest in a 43 storey tower to be built on the river-side site of a former Colgate-Palmoline compression. The Palmolive soap factory. The project is a further example of rapid revitalisation along the New Jersey bank of the Hud-

The area is designated an urban enterprise zone eligible for job training grants, low interest loans and tax holidays. Hindson County, tha Iocal authority, claimed that the Merrill Lynch decision was a major victory in the tug of war major victory in the tug of war with New York City over jobs.

In recent years several financial institutions have moved low-paying back-office jobs out of the city, joining an exodus of manufacturers which has reduced the city's industrial

By Anatole Kaietsky in New York.

Merrill Lynch led debt and equity issues worth \$22.687bn, representing a 17.1 per cent share of the total underwriting market. In the first half of 1988, Merrill's underwritings were share was 14.9 per cent.

The second biggest Wall Street underwriter was Gold-man Sachs with a 124 per cent market share, followed by First Boston with 12 per cent and Salomon with 113 per cent.

The third and fourth posttions were reversed a year ago, when Salomon had 13.9 per cent of the market, while First Boston trailed with 11.3 per

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ormation has been approved by Touche Ross & Co., who are authorised to carry out Investment Business by the Institute of Chartered Accommunis in England and Wales.

staff from Manhattan to Brooklyn, another city borough,

Merrill retains top place in US debt underwriting

MERRILL LYNCH retained its place as the top US under-writer of debt and equity secu-rities in the first half of 1989, according to preliminary fig-ures relased by Securities Data Corporation. Corporation.

Corporation.
However, Drexel Burnham
Lambart emerged as Wall
Street's top earner of underwriting fees because of its leading role in the record-breaking
4bn junk bond offering in connection with the leveraged
buy-out of RJR Nabisco, the US
food and tobacco gram. food and tobacco group.

Merrill Lynch topped tha

underwriting league for the fourth half-year running, hav-ing wrested this position from Salomon Brothers in the first

YSL launches sales drive

for stock market float By George Graham in Paria

YVES SAINT Laurent, the fashion and perfumes group, yesterday launched the sales campaign for its FFr341m (\$51.4m) stock market flotation, the ballong on full \$5. due to take place on July 6. The company is placing 400,000 shares, or 11 per cent of its capital, on the Paris second market at a price of FFr853 a share, valuing the whole group at FFr8.250n.

The offer capitalises Yves Seint Laurent at 18.8 times its forecast 1989 earnings of FFr175m, but the company's officials say the price/earnings ratio should be weighted to take account of a FFr1.ibn capital increase which took place only in June. On this basis the offer price is 15.4 times weighted earnings per share. Mr Jean-Francis Bretelle,

Mr Jean-Francis Breteile, joint managing director of Yves Saint Leurent, said the price was in fact fixed by taking the average between the price of the capital increase and the price demanded by Cerus, the French investment company of Mr Carlo de Bene-detti, for reducing its stake from 49.9 per cent to 14.9 per

Cerus, which became a shareholder in 1986 when it helped Yves Saint Laurent to buy back its perfumes business for \$631m, agreed to lower its stake from a position of virtual

It asked in return for a capi-tal gain of FFr200m on its initial investment, working out at FFr2879 for each of the 145,000 shares sold. The 1.145m shares of the capital increase, mean-while, were sold at FFr700

Mr Bretelle said the weighted average of the two prices appeared to offer a reasonable multiple of earnings. Some analysts yesterday regarded the price as steep because of Yves Saint Laurent's relatively heavy debt burden and prospects for only steady earnings growth over

the next few years. Francois Dufour Kervern, broker to the issue, on the other hand, calculated a value of FF7987 and forecast strong demand for the shares, though its conservative forecast for next year's earnings shows a gain of only 6 per cent from 1989's FF155.5.

Some of Yves Saint Lau-rent's compatitors, too, regarded the price as reason-able. "At 18 times earnings it is a very good hay. Yves Saint Laurent is a very good company, a fantastic name with a lot of inture," commented Mr. Henry Racamier, head of the Louis Vuitton luggage company which has recently acquired the Givenchy fashion

This announcement appears as a matter of record only.

Restructuring of the Share Capital of

> **POTAIN** and

**LEGRIS INDUSTRIES** 

#### CCF LAURENCE PRUST

acted as Advisor to the shareholders of POTAIN in this transaction



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#### INTERNATIONAL COMPANIES AND FINANCE

#### **HK** property sold for pre-crisis price

HONG KONG-listed Cheung Kong (Boldings) has sold hair of an industrial building on the Kowloon peninsula of Hong Kong to a unit of Jardine Matheson Holdings for HK\$118m (US\$15.1m), euter reports from Hong

Property analysts said the average price of HK\$930 a uare foot reflected the market before the June 4 massacre in central Peking, even though the sale was recorded on June

Cheung Kong sold the basement up to the third floor, some 126,882 sq feet, of Hong-kong Spinners Industrial Building in Cheung Sha Wan in sectors Kowleyn

ern Kowloon Mr Nicholas Peacock, research director of Scrimgeour Vickers said it was diffi-cult to analyse the price with-out knowing how the space

would be used.
"If the building is going to
be used purely for industrial purposes, the price sounds a bit high," he said.

Mr Percy Au-Young, research manager at DBS Securities said: "The ground-floor space always sells at a premium, so it boosts the average price per square

## Koito hits back at its predators

By Stefan Wagstyl in Tokyo

KOITO MANUFACTURING, the Japanese company under siege from Mr T Boone Pick-ens,the US corporate raider. and Mr Kitaro Watanabe, his Japanese ally, yesterday hit back at their assailants with a tough-talking American-style counterattack.

It made clear that its main adversary was not Mr Pickens but Mr Watanabe, a Japanese specialist in greenmail - whereby an investor buys a stake in a company to pre that company to buy the stake

back. Mr Watanabe previously held the 20.2 per cent stake now owned by Mr Pickens' private investment company Boone Co.

Speaking to journalists on the eve of the company's gen-eral meeting today, Mr Takao Matsuura, Koito's president, restated his determination not

restated his determination not to give any ground to Mr Pickens, who has demanded three seats on the Koito board. In the best Wall Street tradition, Mr Matsuura was flanked by two US investment bankers supplied by Nomura Wasserstein Perella, the corporate finance company jointly owned by Nomura Securities, the Japanese securities house, and Wasserstein Perella, the New York mengers and acquisitions York mergers and acquisitions

specialist.
The guiding hand of the men from Wall Street was visible in the information pack supplied

by Koito. This came complete with up-to-the-minute facts and figures, a reprinted newspaper article entitled Hostile takeover suspected as Boone Company cloaks move as "invest-ment barrier" problem," as well as a US government report about yakuza, or Japanese gangsters, entitled "The impact: organised crime today."

Kotto said it had no reason to believe there was any con-nection between Mr Pickens and the yakuza. But it said it feared that sokaiya, yakuza-re-lated racksteers who threaten to disrupt company meetings, might attend today's meeting.

Mr Matsuura concentrated on giving a stout defence of the trading record of Koito, a maker of car lights and other parts, with a turnover in the year to March of Yilibn

(\$787m). Mr Pickens has demanded an investigation of the company's close links with Toyota Motor, the largest Jepanese car maker, which owns 19 per cent of Koito and buys 45 per cent

of its output.
Mr Matsuura said Koito dealt with Toyota in the same way as the other 10 Japanese car makers. He said the marcar makers. He said the mar-gins on sales to Toyota were the same as margins on the rest of Koito's output. He want on to defend Koito's recent lackinstre profit perfor-mance saying the company

had been forced to cut prices and costs in response to the

rise in the yen. This was the main reason why pre-tax profits fell last year from Y9.4bn to Y6.5bn. Mr Matsuura forecast a recovery

in profits this year.

Koito might agree to cooperate with a shareholder who had discussed his plans with the company before buying his shares and who had something to offer, said Mr Matsuura. But Mr Pickens had no experience of the industry.

The press conference ended when Mr Matsuura left to pre-pare for today's meeting. Later, sources close to Kolto, as they chose to identify themselves, launched into an attack on Mr Pickens' and Mr Watanabe's

motives.

They pointed out that Mr Pickens bought his shares for Y3,375 each, paying a total of Y109.5bn for 32.4m, and acquiring them from Mr Watsunbe. Mr Watanabe had previously tried to sell the shares at above-market prices to both Koito and Toyota, at different times in 1988. times in 1968.

Mr Pickens paid the equiva-lent of \$340m for shares which are now worth over \$1bn at the current market price of Y4,200-Y4,300. Funding this stake at current interest rates would cost Mr Pickens an estimated \$92m a year, said the sources. The dividends were worth about \$2m, so he was

clearly not after income. But, said the sources, Mr Pickens could not hope to sell his shares without causing a col-lepse in the price. So, the con-clusion was that Mr Pirisan must have a contract to sell the shares back to Mr Waten-

abe, as is widely believed in Tokyo. The sources denounced Mr. Pickens' off-repeated claim that Toyota has three seeks on the Koito board. They explained that three former Towards are adding to the control of Toyota executives were on the board but had severed their links with the car maker when they left its employ, two of

em 17 years ago and the third seven years ago. The sources also rejected claims that Kolto was discrimi-mating against a foreigner in its treatment of Mr Pichens.

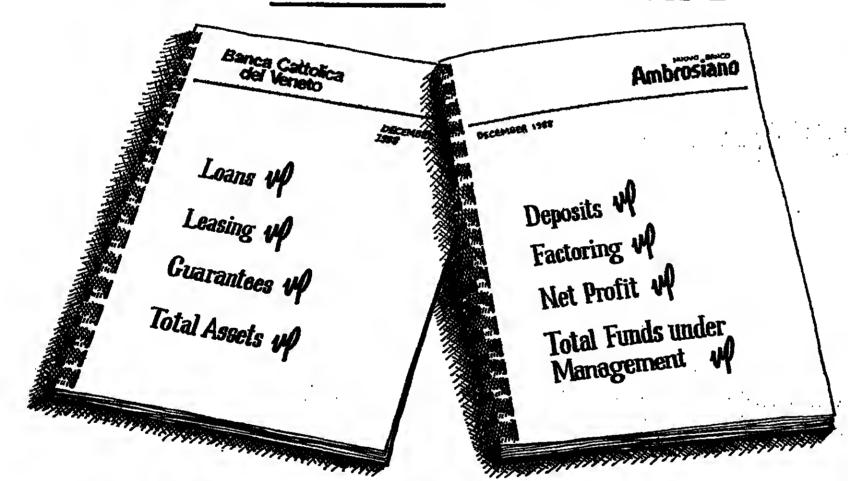
its treatment of Mr Pichens.

"Koito has responded to Mr Pichens as to any Japanese greenmailer," they said.

"Mr Pichens intended to put his case once more at today's company meeting. The meeting was expected to be a tense efficient not only because of Mr Pichens but also because of the expected attendance of solution. Ten people from Sogyo Dokoksi, a solution association, were due to present, as were five members of an extreme right-wing association. extreme right wing essectation. The police believe both groups are connected to Sumiyoshi Rengo, one of Japan's largest pakum ganga.

Two banks, two reports

# NEXT YEAR WE'LL BE ONE BANK



For both banks, 1988 was a good year with results above the national averages.

Nuovo Banco Ambrosiano and Banca Cattolica del Veneto were originally founded nearly 100 years ago. Both have grown with strong roots in their local communities and now cover the main areas of economic activity in Northern and Central Italy. Together they have 337 branches and this number is steadily increasing.

Although linked as regards ownership, they have, up to now, operated as separate entities. Opportunities have been taken however to work together on a wide range of projects. This has included the creation of a number of jointly-owned companies covering a comprehensive area of banking and financial services.

The boards of both banks are now planning to merge. This will be the first merger of major banks in recent Italian banking history. The resulting entity will become one of Italy's largest banks and will, of course, offer the complete range of banking and financial services of its subsidiaries.

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INTERNATIONAL APPOINTMENTS

## Halliburton makes changes at the top

HALLIBURTON, the large US of wanted them. But prudent olifield services, engineering, construction and insurance concern, announced that Mr systems and be prepared if and Thomas Cruikshank, the company's chief executive, has also been named chairman, a posi-tion unfilled since 1988.

Mr Cruikshank, 57, has been chief executive since 1983 and president since 1981. Mr Dale Jones, 52, previously an executive vice president, has assumed the post of presi-dent, giving him a broadened corporate role on top of respon-

sibilities for olifield services. The company last month reported a sharp fall in first-quarter earnings due to a drop in oil and gas exploration in the US, but expects a strength-ening of oilfield markets in the second half of the year. Mr Cruthahank said. Date

Jones has played an important role in preparing the cliffield services sector well for busi-

THE NEW YORK Stock Exchange, looking shead to the possibility of eventually starting off-hours trading, has

created a new post of vice president, off-hours trading.

Appointed to this position is Ms Charlotte Lee, 35, who will be responsible for developing a strategic plan to prepare the NYSE for off-hours trading, should the stock exchange implement such a system in the fature. Mr John Phelan Jr, NYSE

chairman and chief executive, said: "The future of world mar-kets is global. Currently, global chairman and chief executive, said: "The future of world markets is global. Currently, global markets and 24-hour trading systems are not in place because the customers have markets group.

The 49-year-old Mr Feldberg succeeds Mr Stephen Thicke who, as already reported, is resigning with effect from August 1 to join J.P. Morgan.

planning suggests we should explore off-hours trading systems and be prepared if and when our customers want to trade around the clock." Mr Donaki Dueweke, 44, has been named senior vice presi-dent, fixed income markets.

\*\*\* AUDI, the up-market West Ger-man car producer wish is part of the Volkswagen group, said that Mr Eart Lauk will become its finance director and deputy chairman, subject to approval of Audi's supervisory board on

July 5. Mr Lauk, 43, will join Audi as soon as possible from W Schlathorst, the Munchengias bach-based company, where he is a management board man-is a management board man-ber, He will replace former finance director Mr Richard Bethold, who retired from Audi at the end of last year.

for the 1990s. He has led the cilifield services group in completing several major acquisitions and a restricturing of the consecutive year of profits growth, named Mr. R. Derek Finlay, who has been senior vice president-corbeen senior vice president-cor-porate development, as chief financial officer (CFO).

Mr Finley will still be responsible for corporate develcoment. His new post follows the resignation of Mr Karl von der Heyden, who was senior vice president-finance and CFO at Heinz, and has now become CFO of RJR Nabisco.

THE NEW YORK Federal Reserve Bank named Mr Chester Feldberg an executive vice president and assigned him to head the credit and capital markets group.

## L1 legrand

AGREEMENT BETWEEN LEGRAND AND B. TICING

EGRAND and B. TICINO have decided to join forces in order to abolister their respective European and worldwide market positions. Under the terms of the decord, LEGRAND will acquire a 45% Interest in B. TICINO.

B. TICINO is the leading fiding manufacturer of low voltage electrical fittings, with operations in 12 countries. 1988 sales totalised FRF 2 billion for a work force of 4,500. B. TICINO's main plants are located in the Milan and Maples areas.

LEGRAND, France's leading manufacturer of low voltage electrical fillings, reported sales of FRF 5.6 billion in 1988, it employs 12,500 people and operates facilities in 23 countries. The two Groups intend to build on their complementary technological, marketing and geographic strengths in response to intensitying competition, and to achieve faster growth in an expanding

For this, they will cooperate on strategic matters while develop their brands, markets and human resources autonomously, resp ing each Group's traditions, culture, skills and copabilities. The Groups will commue to operate as distinct entitles.

FINANCIAL INFORMATIONS: O. SAZIL, G. SCHNEPP 🕿 (O.43.60.01.80 (FRANCE)

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#### INTERNATIONAL CAPITAL MARKETS

## Chile deal signals lending shift

By Stephen Fidler, Euromarkets Correspondent

A COMPLICATED financing package for a \$600m export-orientated-pulp plant in Chile, part of which will be provided by new leans from foreign banks, was signed in Santiago

The plant is one of three large projects designed to explait Chile's natural advanexploit Chile's natural advan-iage as a paper and pulp pro-duces and convert it into an important exporter of forest products. As in the other two exploits, the package signed yeaterday was, structured around funds provided by the integrational Finance Corpora-tion (IFC), the World Bank affiliate whose aim is to encourage private sector devel-opment in developing coun-gres.

The plant is being built by

IN SPITE OF an encouraging 1.2 per cent decline in May's leading economic indicators

leading economic indicators and a strong dollar, US Trea

sury should opened the day makly as traders took profits. In the early afternoon the

bellwether 30 year bond was

down % point at 108H, yielding 8.11 per cent. The Fed con-ducted \$1.5bn customer repur-

chase egreements in order to: keep the weekly average within the 9½ to 9% per cent range. Fed fund were at 9½ per cent when the Fed entered the

The dollar stayed buoyant

despite Fed support for the yen. At mid-day the dollar was Y142-95 and DM1-9645, against

Y141-75, and DM1.956 late Tues-day in New York.
The decline in May indica-tone was greater than the 0.9

per cent; most analysts had

STRANGUTS Topod Ma

greements in order to:

GOVERNMENT

BONDS. ...

cion, a joint venture, between Copec, the largest distributor of fuel in Chile, and Carter Holt Harvey, the New Zealand forest products company. Operating eince 1982, it now accounts for 70 per cent of Chilean pulp exports.

The Arauco financing is the most advanced of the three. As reported financing for a \$557m

most advanced of the three. As reported, financing for a \$587m callulose and paper venture, Celillosa del Pacifico, is now being put fogether.

Unlike the Arauco project it includes a large debt-to-equity swap which will reduce Chile's foreign debt by about \$350m.

A third project is being developed by Citibank, Scott Paper of the US, and Shell Oll, which includes debt-to-equity finance. This \$400m to \$500m which includes user to \$500m finance. This \$400m to \$500m project involves the modernisa-tion of an existing pulp plant-

expected. Ten of the index's 12

components contributed to the

downturn. April's rise in the indicators was revised to 0.6

TIELDS on Japanese govern-ment bonds rose sharply as the stock markets plunged on

A 10 300 a

per cent from 0.8 per cent.

FT INTERNATIONAL BOND SERVICE

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Treasuries dip as profit-takers move in

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NETHERLANDS 7.000 3/99 98.0500 -0:025 7.13 7.12 7.47

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Price Change Yield

13.500 9/92 105-28 +1/32 11.28 11.58 11.20 9.750 1/08 95-28 +4/32 10.49 10.71 10.37 9.080 10/06 - 95-18 +2/32 9.50 9.70 9.36

10,250 12/96 105,1500 -0.350 9.41 9.53 9.76

uncertainty surrounding the

future of Mr Sousuke Uno, Japan's Prime Minister.
Press reports of Mr Uno's alleged sexual activities sparked rumours — immedi-

ately demed — that his resig-nation was imminent. But deal-

ers said the reports of his

The new Arauco plant will be built alongside the com-pany's existing factory, reduc-ing the overall costs, and its product will be exported

entirely.

About \$55m of the project financing comes from the IFC in the form of a senior long-term loan of \$40m and a \$15m subordinated financing. A 7%-year loan has been cyndicated among foreign banks. This will raise at least \$40.5m, and possibly as much

So far eight banks have joined, including four from Sweden. The interest margin over money market rates on the loan is understood to be at commercial rates close to 2 per

A further \$130m of supplier credits is being provided by

export credit agencies -including those from Canada

and a DM30m loan from DEC, the West German development agency. About \$105m will be provided through bond issues in Chile, \$60m of which has

been raised already, and

by Aranco itself.

The provision by commercial banks of commercially based

finance is seen as significant, even though it represents only a small part of the project finance.

It suggests that, in certain circumstances, new bank finance to Latin America is still possible, in spite of the international debt crists which has badly hit the credit stand-

involvement with various gal-shas had undermined public confidence in the ruling Lib-

eral Democratic Party.
The benchmark No.111 JGB
yield traded around 5.45 per
cent late in the London day

after closing on Tuesday at 5.39

INITIAL enthusiasm for the UK government bond market faded as sterling's early gains eroded. Conventional government bonds rallied by ½ point, with one of the benchmark long-dated government bonds—the 11½ per cent of 2003-07—falling briefly through the 10 per cent level.

Some retail selling emerged

Some retail selling emerged in the afternoon. The price of the 2003-07 closed up it on the day at 112ii, yielding 10.01 per cent in moderate volume.

■In West Germany a new

bund will be announced next Monday and dealers are expect-ing a DM4bn 10-year issue with

a 6% per cent coupon at a price of between 100 and 100%.

12th September

Number One Southwark Bridge London

Malaysia plans to raise \$3bn MALAYSIA will raise up to Shn ringgit (\$2.9bm) from its domestic markets to finance

outstanding projects and for infrastructure to support surg-ing private investment, Reuter Lapaur : Prench Prance 1:-10.
2877-961 980
Head Office:
12 rue de la Baone 75008 PARIS
Registered Head Office:
PARIS B 542 102 322 Mr Mohamad Sheriff Mohamad Kasaim, chief of the eco-nomic planning unit (EPU), said public investment would total 29.2bm ringgit in calen-

dar 1969 and 1990, compared with 28.3bn in 1986-88. He said that the domestic

He said that the domestic economy was strong enough for the Government to raise the resources.

This is the first time since 1993 that Malaysia has increased public spending, according to official figures.

Mr Sheriff said Malaysia could now afford to opend more because its economy had recovered strongly after the recession of 1985, when output fell 1 per cent.

The EPU, charged with

The EPU, charged with long-term economic planning, projects growth in real domestic product of 7.3 per cent in 1969 and 6.7 per cent in 1969 and 6.7 per cent in 1969, compared with growth of 8.1 per cent in 1968. Mr Sheriff said increased spending would not mean an increase in foreign loans, which totalled 46.7hn ringgit at end-1968. He added that the overall deficit would not be affected much by the increase in spending.

Simex proposes **Euroyen contract** 

THE Singapore International Monetary Exchange proposes to launch a Euroyen three-month interest rate contract, Reuter reports.

No date has been set for the Mr J. Y. Pillay, of the Singa-pore Monetary Authority, said yesterday that the Tokyo Financial Futures Exchange

(Tiffe), which is due to start trading Euroyen and Eurodol-lar futures tomorrow, and the advent of electronic trading on a global scale "would test our metile." The intended Simex Euroyen

The intended Simex Euroyen contract was one response to the expected competition, Mr Pillay said.

Simex trades in fuel oil, Eurodollars, D-Marks, yen, sterling, gold, the Nikkei. Stock Average index and in yen, Eurodollar and D-Mark options.

**Budget extension** for NZ futures

THE New Zealand Futures THE New Zealand Futures
Exchange will open for trading
from 7pm (0700 GMT) to
3.30pm on the night of Thurs
day July 27, when the Government presents its annual budget statement, Renter reports.
The five-year government
stock contract will open at
7mm and officer will open pro-7pm and others will open progressively after that.

RETAILING

The Financial **Times** proposes to publish this survey on:

1989

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**FINANCIAL TIMES** 

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Interest Amount per

29th December 1989

U.S. \$10,000 Note due 29th December 1989 U.S. \$473.39

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## The Republic of Italy

US \$300,000,000 Floating Rate Notes due 1997

In accordance with the provisions of the Notes, notice is hereby given that the Interest Amounts payable on the next Interest Payment Date 31st July, 1989 will be US\$ 508.97 for each US\$ 10,000 Note and US\$ 12,724.39 for each US\$ 250,000 Note.

Bank of America International Limited

U.S. \$100,000,000 African Development Bank

Subordinated Floating Rate Notes due 1996

In accordance with the terms and conditions of the Notes, notice is hereby given that for the interest Period from June 29, 1989 to December 29, 1989 the Notes will carry an Interest Rate of 9%% per annum for 183 days. The amount payable per U.S. \$10,000 nominal amount will be U.S. \$473.39.

By: The Chase Manhattan Bank, N.A. - London, Agent Bank



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Further details from Richard Wallington. **TELEPHONE 01-873 3307** FAX 01-873 3064

\* No information mallable-previous day's price

† Only one market maker supplied a price

Straight Books: The yield is the yield to redemption of the mid-price; the amount issued is in millious of carriers; mid: except for Year books where it is ab billious. Change on week.—Change over price a week surface.

Floating State Notes: Denominated in dollars unless otherwise ladicated. Coupon shown is satisfature. Cathe — Date must coupon becomes effective. Spread—Margie above six-month offered rate titing—month; Sabove mean rated for its dollars. C.con—The carrent coopes.

Generalible Bonds: Denominated in dollars unless otherwise indicated Chg. day —Change on day. Caw data—First date of convertion into shares; Date, price—Nominal amount of boad per share apprecial recurrency of share at conversion rate from at issue. Prem —Precentage premium of the carrent price of the shares.

#### INTERNATIONAL CAPITAL MARKETS

R Bengt Dennis, gov-ernor of Sweden's central bank for the past six and a half years and chief architect of his country's

financial revolution, is looking

forward to next Monday - the day Sweden's financial mar-kets move into a brave new

deregulated world - with

equanimity.

The decision to remove all exchange controls from July 1

has not caused as much contro-

versy as Mr Dennis had feared.

nis has learned to live with. His authority has been

a much greater independence to the central bank. It has been

widely accepted. I worked hard to achieve the change."

The move should help lift

the Riksbank, as Sweden's cen-tral bank is known, above the heat of party political battles, strengthening its position in deciding Swedish financial pol-

Mr Dennis has proved him-self to be a remarkably forceful

and agile governor, an astute player in the complex network of close personal relations that

bind together the diverse mem-bers of the ruling Swedish

It is his crucial alliance with Mr Kjell-Olof Feldt, the coun-try's Finance Minister, that

has shaped Swedish financial strategy during the 1980s. The liaison dates back a long time, to their activist student days together in the Social Demo-

cratic party when Mr Dennis was reading social economics at Stockholm University. In 1967, when Mr Feldt was

appointed under-secretary of state at the Ministry of

Finance, he recruited Mr Den-nis to head of division in the

budget department and on his

promotion to the Commerce and Industry Ministry he took Mr Dennis with him as his

## Two building societies raise £300m in FRNs

**By Katharine Campbell** 

IT WAS sterling's turn in the primary market yesterday, with three issners hoping to take advantage of the currency's reprieve after Tuesday's better than expected monthly trade figures.

UK building societies Alliance & Leicester and Bristol & West both tapped the market for £150m with floating-rate notes offering a margin of h bank offered rate, both priced at par. The former, led by Barings, carried a seven-year maturity, the latter, from J.P. Morgan Securities, was for

Both met a firm if unexciting reception, probably helped by the fact the paper catered for alightly different maturity pref-erences. The Alliance deal traded on fees at 99.85 whereas the slightly more generous pri-cing of Bristol & West — an unrated and considerably smaller society - perbaps helped the paper trade just inside 16 basis point fees at

Tha European Investment Bank £100m 10-year straight issue, priced to yield 38 basis points over comparabla gilt-edged securities at launch. fared less well. Lead manager Baring quoted the paper just outside fees at a discount to issue price of 2.05 per cent.

Baring noted that the gilts prices retreated just as they brought the deal, but contended that it had gone well,

INTERNATIONAL BONDS

elped by considerable demand in the 10-year maturity range Other market sources said the issue had struggled a bit.
Another deal caught on the
wrong side of the underlying government market. Morgan Stanley's \$300m 9.00 per cent bond for General Motors Acceptance Corp came after the amouncement of May lead-ing indicators for the US econ-

while the 1.2 per cent index dip was in line with market expectations. Treasuries responded with a price drop of about ¼ point in the seven-year range, leaving the GMAC issue prey to canine metaphors in certifiers of the market. It in sections of the market. It was another deal – following several in recent days - won

after fierce price bidding by a after fierce price bidding by a group of half a dozen houses.

Unsurprisingly, the market indged GMAC's terms tight, and said the lead manager was supporting the paper just outside 2.00 per cent fees at a discount to issue price of less 2%. Brought at a spread to Treasuries of 73 basis points, the lead manager said his deal was trading "unfortunately a bit trading "unfortunately a bit tighter, at a spread of 69 or 70

In a deal for a more specialised audience, American Stores, issued a five-year \$100m straight bond, at 135 basis points over equivalent Trea-surles, reflecting its BBB minus Standard & Poor's rat-

J.P. Morgan Securities, the lead manager, said this was the first time e Eurobond had carried event risk clauses and financial covenants allowing investors to put the paper back to the borrower at par in the case of corporate activity, such as a takeover, or after material changes in certain financial

Some investors took advantage of the associated asset swap which yielded about 50 basis points over Libor.

NE	W INTE	KNAIK	MAL	BUND	1990	E-0
Borrower STERLING	Amount m.	Coupon %	Price	Meterity	Fees	Book runner
Alflance & Leicester(a)#	150	4	100	1996	15/7bp	Baring Brothers
Bristol & West(b)#	150	76	100	1994	16/8bp	LP. Morgan Secs.
European Investment Bank(c) •	100	1012	98.55	1999	2/13	Baring Brothers
US DOLLARS						
General Motors Acc.Corp.(e)	300	9	101.425	1996	17/14	
American Stores(c)	100	934	101.80	1994	17/14	J.P. Morgan Secs.
ndustrial Bank of Japan(d) •	80	93	1024	2004	24/112	
Bergen Bank(g)◆	10	15	1013	1992	13/3	XBJ Int.
Sakken Co.#	100	(4 <sup>1</sup> 2)	100	1993	24/12	Yamaichi int. (Europe)
WISS FRANCS						
NT(e)◆	150	8%	102	1999	n/a	UBS
control Securities Fin.(c)	100	712	100	1994	n/a	S.G. Warburg Soditic
#ikasa Coca-Cola(f)★★§	40	12	100	1993	n/a	Credit Suisse

#### Austrian bank in \$205m global issue

Oesterreichische Kontrollbank is launching a \$205m global medium-term note programme under which 10-year securities will be simultaneously offered in the US and Europe, writes

Morgan Stanley, the arranger, said the programme would be expanded beyond

\$300m with shorter maturities to be included. While the spread over comparable maturity US Treasuries, at 53 basis points, is the same in both the US and European tranches, the securities carry different characteristics and are not fungible with each other.

The \$75m tranche of US securities carry semi-annual

FT-ACTUARIES SHARE INDICES

conpon payments, a 8.70 per cent coupon and are in regis-tered form. The \$130m tranche of Euro-securities have annual coupon payments of 8.89 per cent and are in bearer form. The Euro-tranche is also the first to extend maturities of

under-secretary of state. Mr Dennis denies that he meets Mr Feldt regularly to plan financial policy but, as he admits: "There is no reason for MTNs out to 10 years. Previous us to do that. We know each issues have been concentrated in the three- to five-year area.

A SPECIAL committee is to examine whether Sweden needs a turnover tax on capital market

Sweden needs a turnover tax on capital market transactions, Reuters reports. According to the Foreign Ministry, the committee is expected to complete its findings by May 1990.

It is to examine tax matters relating to the entire financial sector. The ministry said it should also consider how the turnover tax and stamp duty should be handled in the future and should that there was still a mod for those sweetal whether there was still a need for these special

"As long as we agree on our basic analysis we don't have to

consult all the time." It has been regarded almost as a fait accompli and only the However, Mr Dennis does not always win the argument with Mr Feldt. He does not dis-LO, the powerful blue-collar trade union movement, seems upset. But criticism from that guise his dismay, for example, at the recently introduced turnover tax to coincide with quarter is something Mr Denthe abolition of exchange rate controls. The net result has been to accelerate the move-ment of financial business out strengthened considerably this year. Under Swedish law the governor's three-year term has been extended to five years. As of Stockholm to the money Mr Dennis says: "This will give markets of London and Luxem-

> "An early signal from the Government to lift the turnover tax would be helpful," he says diplomatically. He shares the fears of the banking world that continuation in a regime without exchange controls will denude Stockholm of valuable bond market business.

The governor is well respected by bankers and brokers even though he is not really one of them. He admits: "I am a rather funny animal I don't consider myself as an economist at all, perhaps journalism is really my true profes-

He spent 14 years working in the media, mainly as a business and political journalist in the Social Democratic press and on Swedish radio, ending up as editor in chief of Dagens ter, Sweden's leading lib-

eral party newspaper. His media experience has helped him cultivate a prominent profile in Sweden. Consequently he is better known to the outside world than his more reserved predecessors

When he arrived at the bank in September 1982 with the return of the Social Democrats to power after six year's absence and a 16 per cent devaluation in the krona, Mr Dennis inherited severe domes-tic difficulties. These had been caused by a huge government budget delicit and a massive se in the money supply. He has proved to be a stern

measures in the financial sector. The committee will submit any proposals to the Finance.

Department.

The Government is carrying out a reform of the Swedish tax system. The ministry said the new committee's task was to make the tax system in the financial sector more uniform. "If this can be achieved, the need for indirect taxes and the turnover tax in various areas would

the first time and Swedish investors would be given total freedom to invest in foreign

The deregulation has had a dynamic impact on the Swed-

ish banking system. Mr Dennis says it has increased healthy competition in financial ser-

vices to the benefit of house-

hold borrowing. The securities and bond markets and option

markets have all prospered.

With the abolition of foreign exchange controls Mr Dennis

over the past six months in particular the other Nordic countries have been a prime target for Swedish finance

houses. The governor also believes the bond market, once

free of exchange controls, will experience rising volume. Mr Dennis has his sights set on more radical action; to dis-

mantle Swedish restrictions that impede the inward move-ment of foreign investment.

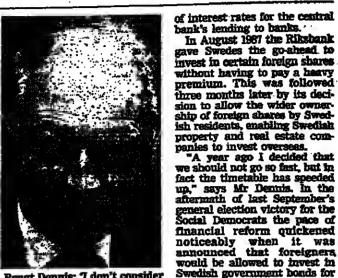
"There has been a rather protectionist attitude towards

foreign companies who want to acquire a Swedish business or buy a stake in a Swedish com-

LONDON TRADED OPTIONS

and ownership.

equities and real estate.



Riksbank governor turns revolutionary

On the eve of deregulation, Sweden's chief central banker talks to Robert Taylor

Bengt Dennis: 'I don't consider myself an economist at all'

believer in fiscal rectitude. "One of the best decisions of our monetary policy was to ensure that the Government did not borrow abroad," ha recalls. "That move was due to our initiative and it won parlia-mentary support in 1984. It has acted as a corset supporting a necessary discipline in eco-

nomic policy."

He also believes it helped to stabilise exchange rate expectations and generate confi-dence in exchange rate policy. Without the ban, Sweden would have gone on in the same profligate manner it had

During his years as governor he has taken Sweden on a long march away from regulation to a much freer economy. Paying a tribute to his predecessor, Mr Dennis argues it was the introduction of Treasury bills in the middle of 1982 that marked the first significant move towards

financial liberalisation.

It was three years later that he made the next significant move with the abolition of all controls on bank lending. He also introduced a sliding scale pany in the financial field." he admits.

Some changes have already taken place to relax such con-trols. Since 1985 fereign banks have been allowed to establish subsidiaries in the Swedish market and there are now 10 foreign-owned banks operating

in the country.

In the autumn parliament plans to pass legislation to enable foreign banks and other financial institutions to open branch offices in Sweden from next January. At the same time non-residents will be allowed to own shares in Swedish hanks and other financial institutions, although an upper limit will be set for the level of

foreign participation.
Mr Dennis does not rule out action later in the year to pro-vide foreign companies with the opportunity to establish the opportunity to establish finance and stockbroking companies in Sweden. But the opening up of the economy to the possibility of foreign ownership of Swedish industry remains a sensitive issue.

Mr Dennis recognises that over the past decade, in particular, the large Swedish multinationals have expanded their

nationals have expanded their overseas business activities rapidly. The move towards reciprocity inside the European Community will make it diffi-cult for Sweden to perpetuate its present obstacles to foreign penetration for much longer.

The challenge of the EC's drive to a free internal market by 1992 has provided the gover-

nor with a far stronger set of arguments to justify his long-term liberalisation strat-

cover financial links with the EC do not trouble him and he adopts a highly pragmatic view of the prospect that Swe-den might eventually join the European Monetary System.

"If we can get our cost infla-tion under control and produc-tivity point up, then the time tivity going up, then the time will be ripe for a serious dis-cussion about that question."

The extent of the financial revolution is often unrecog-nised outside Sweden. It is not just the radical change in the tex system from Jamusry 1981, with the shift of the burden from individuel incomes and on to capital and services, which Mr Dennis supports so strongly. He also speaks approvingly of a cut in agricultural subsidies that will

open up Sweden's markets

#### **LONDON MARKET STATISTICS**

RISES AND FALLS YESTERDAY

# the institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS	Wednesday June 28 1989					Tue Jan 27	Moa Jan 26	Fri Jun 23	Year ago (approx)	
Figu	& SUB-SECTIONS  ares in parentheses show number of stocks per section	hadez No.	Day's Change	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act. at (25%)	Est. P/E Ratio (Net)	nd adj. 1989 to date	Index No.	Index No.	Index No.	Index No.
1	CAPTFAL GOODS (206)		+0.5	10.80	4.65	11.38	14.74	965.25	960.61	959.88	789.35 1098.48
21	Building Materials (29)	1147.80	+9.3	11.86	4.32	10.41	22.32 38.72	1194.73 1629.66	1184.59	1190.75 1640.82	
31	Contracting, Construction (37)	10/8.73	-9.5	14.48	4.31	9.86 24.74	50.68	2866.13	2868.8I		2006.57
21	Electricals (9)	2227 47		8.37 8.58	4.04 3.10	15.35	23.92	2208.93	2202.34	2190.91	
5	Mechanical Engineering (54)	E3E 04	+0.8	3.94	3.97	12.37	8.04	534,14	531.61	531.14	
6	Metais and Meta) Forming (7)	533.84	+0.7	19.18	5.73	5.74	3.82	518.48	517.21	519.93	
읽	Motors (17)	320 47	+8.2	11.28	4.61	19.41	6.83	328.98	328.07	327.58	278.69
12	Other Industrial Materials (22)	7459.48	+1.1	9.06	4.16	13.17	26.35	1641.79	1621.59	1614.24	
21	CONSUMER GROUP (187)	1250.48		8.85	3.61	14.13	17.90	1258.68	1248.69		1093.44
22	Brewers and Oistillers (22)	1368.40	+0.2	9.93	3.54	12.65	19.41	1365.73	1354.29	1351.85	
25	Food Manufacturing (20)	1105.25	0.7	9.19	3.78	13.62	17.13	1106.41	1099.71	1028.64	969.45
26	Food Retailing (15)	2367.25	-0.7	8.53	3.22	15.39	25.59	2382.82	2389.37		2023.57
27	Food Retailing (15)	2297.53	-0.3	6.46	2.59	17.59	21.50	2385.37	2220.83	2245.80	
29	Leisure (33)	1669.74	+0.4	7.62	3.39	16.44	22.85	1663.78	1658.62		1345.25
31	Packag)ng & Pager (15)	565.39	+0.4	10.28	4.34	12.31	8.15	562.96	561.74	563.46	524.93
32	Packaging & Paper (15) Publishing & Printing (19)	3569.55		8.62	4.65	14.63	71.88	3568.65	3558.35	3577.30	3436.07
341	Stores (34)	J 829.89	+6.3	10.95	4.34	11.95	14.98	827.67	814.34	811.16	894.32
35I	Textiles (1.5)	j 542 <u>.</u> 39	+0.6	16.92	5.35	10.96	13.42	539.35	539.51	536.71	661.92
401	OTHER GROUPS (93)	.1143.65	-0.5	9.97	4.11	12.28	13.55	1149.32	1136.65	1127.55	910.35
41	Agencies (17)	1421.89	+0.1	7.97	2.29	17.50	14.91	1426.88	1423.63	1413.26	1162.86
421	Chemicals (22)	12317.46	-0.6	19.82	4.52	20.90	26.38	1325.06	1507.31		1895.15
43	Conglomerates (12)	11669.61	+0.1	10.09	4.86	11.67	20.16	1667.77	1649.23	1641.71	1297.71
451	Transport (13)	J2482.67		8.50	3.63	15.30	39.22	2481.62	2468.82		
47	Telephone Networks (2)	11113.80	-1.6	11.20	4.46	11.58	2.76	1132.16	1107.02	1090.54	1001.86
48	Miscellaneous (27)	11672.02	-	9.53	3.58	11.91	23.26	1672.31	1665.93	1652,92	1172.11
	INDUSTRIAL GROUP (486)			9.71	3.87	12.71	16.18		1159.11	1154.82	712170
51	OH & Gas (14)	2155.12	+1.4	9.86	5.19	23.48		2125.53		2066.16	
59	500 SHARE INDEX (500)	1251.62	+8.2	9.73	4.05	12.81	19.84	1249.56	1238.29	1232.26	1049.76
61	FINANCIAL GROUP (124)		+4.3	-	5.30	-	17.62	739.63	731.38	731.10	710.31
	Banks (8)	742.58	+9.6	24.60	6.44	5.47	21.71	737.82	72A.A3	724.40	682.68
	Insurance (Life) (8)		+8.3	-	5.59	-	29.86	1864.62	1058.31		1068.62
66	Insurance (Composite) (7)	584.54	+0.4	=	6.16		16.75	582.14	572.65	567.09	546.98
67	Insurance (Brokers) (7)	. 980.35	+0.8	7.70	6.39	27.46	31.63	972.19	959.20		1006.73
68	Merchant Banks (1.1) Property (52)	335.17	+0.5	I	4.63		5.93	332.68	328.72	324.75	359.98
69	Property (52)	1314.99	-0.4	6.33	2.91	20.13	15.98	1328.99	1516.20	1318.73	1225.Al
<u>70</u>	Other Financia) (31)	356.47	+0.5	11.52	6.05	11.65	8.62	354.69	353.95	356.37	387.19
71	Investment Trusts (70)	1167.84	+6.3	- :	2.81	-	14.25	1164.79	1159.09	1152.68	997.88
81	Mining Finance (2)	664.02	-0.5	8.69	3.87	12.81	10.45	667.12	664.66	663.96	521.13
	Overseas Traders (8)		10.4	11.29	\$.56	19.68	35.07	1328.68	1321.28		1159.16
99	ALL-SHARE INOEX (704)	1126.69	+0.2		4.20		18.53	1124.67	1114.48	1189.09	968.98
]		fridex No.	Day's Chance	Day's High (a)	Day's Low (b)	Jun 27	Jen 26	Jua 23	Jan 22	Jun 21	Year
											390

	FIXED INTEREST							AVERAGE GROSS REDEMPTION YIELDS		Tue Jun 27	Year ago (approx.
	PRICE INDICES	Wed Jun 28	Oay's change %	Tue Jun 27	xd adj. today	xd adj. 1989 to date	1 2 3	British Government Low 5 years Coupons 15 years	9.95 9.41 9.26	9.98 9.44 9.28	9.39 9.49 9.27
		117.35		117.12	1	6.18 6.96	16	Medium 5 years	10.81 9.88 9.46	18.98 9.99 9.47	9.84 9.69 9.47
3	Over 15 years	131.41 142.69 164.13	+0.14	131.02 142.50 163.79	-	7.09 7.32		High 5 years		11.04 10.13 9.46	9.92 9.86 9.56
	Index-Linked	129.57 136.34		129.25 135.89		1.36	11	Index-Linked Inflation rate 5% Sers.	3.75	9.32 3.84	9.48 2.80
7	Over 5 years	133.84 133.91	+0.49	133.19 133.28	-	1.88 1.82	13 14	Inflation rate 5% Over 5 yrs. Inflation rate 10% Syrs. Inflation rate 10% Over 5 yrs.	2.% 3.55	3.75 3.05 3.58	3.86 1.79 3.70
-+	Debeutures & Leans			112.76		5.91		Debs & 5 years Leans 15 years 25 years	12.00 11.68 11.35	12.01 11.69 11.37	10.81 10.79 10.77
	Preference	10 2	714 E. 11	87.59 am 2213	A. Noon 2	3.10 213.6; 1	nm 2	Preference	10.32 3.30 pm 22	10.32 08.8; 4 pr	2200 5
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TRADITIONAL OPTIONS

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● First Dealings
■ Last Dealings

For settlement

100 325 915 375 502 128 94 ,616	BRITISH GAS took the limelight in the London Traded Options Masket yesterday, ettracting 5,396 contracts, made up of 4,928 calis and 468 puts. The underlying price of the share gained 2p to 195p, on a day when transport difficulties brought an early closing of the main market. The options market finished its dealings at the usual time of 4.05pm. There was, along with the underlying share price movement, not closing of open interest on the call side, and opening on the put. The overall open position on the calls fell 634 contracts to 32,300, while that on the put rose 368 to 29,987.  It was a fairly busy day in gen-	eral, perhaps explained in part by it being expiry day in individual stocks, including British Gas. Total turnover reached 47,578. Contracts, consisting of 35,526 calls and 12,053 puls.  Trading in the FT-SE 100 fndex, which has a June expiry tomorrow, amounted to 10,328 contracts, made up of 5,975 calls and 4,353 puls. The June 2,200 call stood out, finding 1,145 contracts and a closing of open position of 248 contracts to 8,552.  On the whole there was some closing of call positions, of 229 to 47,416, and some opening of interest on the put side of 1,767 to 61,913. There were 651 contracts traded in the August 2,200 puts,	involving opening of interest of 346 contracts to 1,108.  The British Gas turnover was concentrated in four series; the June 180 calls attracting 2,026 contracts and e closing of interest of 1,098 to 3,715; the September 180 calls with closing of interest of 538 to 5,340; and the September 200s openings of 610 to 4,501 on the back of 1,709 contracts. The December 200 puts saw 450 contracts and an opening of position of 360 to 1,425.  Trustinouss Forte found 2,619 calls and 168 puts in e total of 2,785, while Rolls-Royce attracted 2,484 calls and only 4 puts. GEC and Dixons claimed some interest, mainly on the put side.
11.4	CALLS FOTS Option Jul Set Jan Jul Set Jan	Option - Jul Oct Jan Jul Oct Jan	Option Any Par Feb Any Rev Feb
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tions of the Debentures, the interest rate for the period 30th June 1989 to 31st July 1989 has been fixed at 9%s per cent per annum. On 31at July, Interest of US\$8.234376 per US\$1,000 nominal

emount of the debentures will be due for payment. The rate of interest for the period

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nencing 31st July 1989 will be mined on 27th July 1988.

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INTERNATIONAL APPOINTMENTS

## Hanson sells US restaurant chain

HANSON, the UK conglomerate which is cur-UK rently making a £3.1bn bid for British-based mining group Consolidated Gold Fields, yesterday announced the sale of its Ground Round restaurant chain in the US.

The business is being bought by International Proteins Corporation, a food and agriproducts company which is quoted on the American Stock holds a nine per cent stake in IPC, which it says was acquired as an investment a Mr David Clarke, president of Hanson Industries, the conglomerate's US arm, is also chairman of International Proteins, a role he took on in

Under the deal, Hanson receives a cash payment of about \$53m and 2.85m new shares in IPC. This will raise Hanson's stake in the purchasing group to 49 per cent.

Hanson with the conglomerate's acquisition of the UKhased Imperial Group in 1986. It is based in South Weymouth, Massachusetts, and comprises a 215-strong chain of restaurants in 22 states. Of these, 178 are owned or operated and 37 are operated under fran-

In the year to end-September, Ground Round made a pre-tax profit of \$7.4m on sales of \$209m. Net assets are around

involved its food and food-related businesses. Last year, it parted with the likes of Ross Young's, HP Foods and Lea and Perrins, and Durkee Foods. In the current year, disposals on the food side have included Hygrade Foods and a management buy-out of Elizabeth Shaw, the con-

fectionery company. The deal substantially increases the size of IPC which currently has interests in tuna, cottonseed, fish meal and

#### Interlink shares dive 85p after warning of German loss By John Ridding

SHARES IN Interlink Express the USM-quoted parcel delivery and distribution group, plunged 85p to 188p yesterday following a warning of sub-stantial losses in the compa-ny's new West German opera-

which started operating on May 2, will exceed franchise income by about £500,000. As e result, analysts expect that pre-tax profits for the finan-cial year which ends tumorrow

will not exceed the £5.8m achieved last time.
In 1989-90, the picture is even worse. With a fixed cost base and the costs of reorganising the German operation analysis expect losses there of about £2.5m and pre-tax prof-its for the group as a whole of about £4.25m.

The effect on earnings per share will be amplified because the company will not be able to write off its losses in Germany against UK prof-

According to Mr Gabriel, the company had anticipated prof-its of about £500,000 from West Germany this year. How-ever, "a large number of small problems" meant instead that "significant trading losses are being incurred."

Mr Gabriel said that much of the problem lay with the German management team, which although trained by Interlink in the UK "did not nuderstand onr strategy."
Franchises were sold to

existing large delivery opera-tors which meant that Interlink represented only a small part of their business.
As a result, there was inade quate commitment to Inter-

link's husiness. In the UK, hy contrast, emphasis has been placed on franchising through small operators. Mr Peter Sanden, the group's managing director in West Germany, was removed two weeks ago and is being replaced by a team from the

UK. According to Mr Gabriel, "We will effectively be starting from scratch Interlink believes it will "be able to negotiate quite easily the removal of the musatisfac-tory franchise holders" and

does not envisage having to pay compensation.

The West German operation was Interlink's first venture on the continent. "We can see that there is a market in continental Europe and remain committed to expand there in the longer term," Mr Gabriel said. "However, we have to sort out Germany first."

Digging for profits: Rudolph Agnew in wise-cracking form at ARC's Whatley quarry in Somerset. Fresh blast from Gold Fields

profits.

THE GROUND fell away for Consolidated Gold Fields yes-terday, as it does most days at its Whatley quarry, near stone, has extensive quarry operations both in the UK and the US and is one of the jewels of the Gold Fields' expire, last year contributing £106m, or

By John Thornhill

frome, Somerset.

Mr Rudolph Agnew, chairman of the beleaguered mining group, accompanied a bevy of journalists to the quarry – run by its ARC subsidiary – to see 30,000 tons of countryside being blown up and reduced to little pieces of stone. little pieces of stone. This seemed rather a strange

exercise for a man who has only just repulsed the unwanted ettantions of Minorco and is now in the throes of negotiating with Lord Hanson for the future of his company.

But the intention behind the visit was to fire a new shot in the continuing propaganda war by emphasising just how valu-able ARC is to Gold Fields, or as Mr Keith Orrell-Jones, ARC chief executive expressed it, how invaluable it is.

ARC, formerly Amey Road-

optioned shares

Mr Gerald Ratner, chairman

and chief executive of the Rat-ners jewellery chain, has cut his stake in the company. He has sold 250,000 shares, leaving the total before options at 563,000 Mr Masarrat Hussein, a

fellow director, has also cut his

By David Waller

reporting its figures.

to tease out everything it could from Lord Hanson and would then be in a position to conaider all options. However, Mr. Agnew said:
"Unlike the previous hid, I
think this is a straight-up
financial fight."
Asked whether he might
consider taking Gold Fields pri-

potential in winning busine in the construction market.

yesterday giving out about the bid was that it would first try

vate, Mr Agnew said it was a possibility but one which he thought would be difficult because of the high capital

requirements needed to invest in the long term future of a mining company.

But despite the strains, the wise cracking Mr Agnew was in relaxed form

about 40 per cent of total group yesterday.
As the blast echoed tazily This year Gold Fields has forecast a contribution from ARC of about £158m and believes that it has enormous through the quarry, Mr Agnew said: There's £45,000 of profit. although I am not very good at small figures at the moment. I'm only used to dealing with big ones." The signal Gold Fleids was

The jocular mood of the Gold Fields' camp extended to Mr Gerry Grimstone, a director of Schroders who has been lead-ing the defence. "We are in the rather strange position of being prepared for a takeover battle, and we are boping that practice makes perfect," he

As Gold Fields showed yes terday, it has proven ability in extracting stone; now the struggle is on to see how much cash it can extract from Lord

#### EDP drops to £373,000 Ratners chief reduces stake to Mr Michael Heller, chair-Electronic Data Processing, the finance tax on computer distributor, has suf-

fered a fall in pre-tax profits from £615,000 to £373,000 in the six months to March 31. Turnover grew to £7.8m (£7.39m), and tax was reduced

to £79,000 (£146,000) leaving earnings down at 3.41p (5.46p) per 5p share. However, the interim dividend is raised to 0.7p (0.65p).

man, said that little signifi-cance should be attached to the reduction in the profit fig-

As the requirements of cus-tomers became more sophisticated, there was an inevitable increase in the time lag between the time of inquiry and delivery of the machines, be maintained.

#### Yesterday, IPC shares rose 25 cents to \$14%, valuing the share element of the purchase shrimps. Its 1988 revenues The sale is the latest in a price at \$42m, and the total Mr Richard Gabriel, chair-man, said that trading losses string of disposals by Hanson, were \$147m, and pre-tax profconsideration et \$95m. Ground Round came into a number of which have in its German subsidiary Swedes safety query over Sealink ferry plan

STENA, the private Swedish ferry company which wants to buy Sealink British Ferries, yesterday cast doubt on the safety of two roll-on, roll-off vessels which Sealink is to convert for the busy English Chan-

The ships, Fantasia and Fiesta, were built in 1980 for nel crossing. Sealink's parent, Bermuda-registered Sea Containers, is use principally as freight ves-sels. Sealink bought the ships from their Bulgarian owners fighting an \$824m hostile take-over bid from Stens and and will convert them into "jumbo ferries", with a capac-Tiphook, e UK container rental company. If successful, Tiphook would receive the conor 1,800 passengers, for the ortest Channel routes. But Stena pointed out yester-day that a third vessel of simi-lar specification, built by the tainer business and Stena the rest, including Sealink and the Hoverspeed hovercraft busi-

same Swedish shipyard, cap-sized soon after it was commis-Sea Containers' president, Mr James Sherwood, will today amounce details of refits for sized soon after it was commis-sioned. The Swedish authori-ties subsequently imposed severe restrictions on the han-dling of the ships. two ships at a press conference

Mr Sherwood will unveil new safety measures for the vessels at today's meeting, aimed at making the ships the safest afloat, according to Sea

The group added yesterday that Sealink would improve the ships' stability "in excess of current national and international regulations", hy extending the ferries both

Richmond Oil's £68m price tag

two years ago by Mr Michael Wilkinson, a British stockbro-

ker who is now a director of

Corporate Broking Services,

formed last autumn, which is

Richmond says the current depressed state of the oil and

gas industry in the southern

states provides an opportunity to acquire valuable reserves at attractive prices. For most of

the properties, a gas price of \$1.60 per million BTU and an oil price of \$18.50 per barrel

was used to calculate reserve

The prospect for US natural

gas prices is bullish at the moment, especially with a con-servatiou-minded Texan in the

White House, steering his

sponsor to the issue.

COMMENT

Stena wants to upgrade the Channel service and said yes-terday it might transfer two Stena Line vessels to those routes if its bid succeeds. At

above and below the water

the moment, Jutlandica and Danica ply between Sweden and Denmark, offering a cruise-style ferry service to as many as 2,300 passengers

Sealink's main rival, P&O European Ferries, already operates large "superferries on the Channel routes.

country toward the low pollut-

ing fuel. Richmond will give investors e shot at this market,

making it e rarity in London. If the company's hunch on gas prices proves correct, they

could profit handsomely. But as any independent US oil or gas developer that managed to

survive the 1980s can testify, price volatility can wreck well

laid plans. It is unlikely Rich-

mond would have ever come to the London market if shell-

shocked US energy investors

were not so wary. Adding to the risk is Richmond's status

as a newcomer, without a

development track record. But for those willing to accept such potential dangers Richmond is

fairly priced at 105p given a net asset value of 80p per share, based on proven reserves and

150p using probable reserves.

Burmah to

for £12m

By Andrew Hill

sell US arm

BURMAH OIL, the Inbricants group, is to sell its US-based

**Burmah Technical Services** 

part of the group's special ity chemicals subsidiary, will be split into two parts for the

sale to two separate US groups. The water treatment chemi-

cals operation has been sold to

Aquatec Chemical Interna-

Testing - a US subsidiary of UK-based Ocean Transport &

Trading - will buy Burmah's analytical laboratories busi-

ness which offers a testing and

Netional Environmental

water management busine for a total of about £12m.

FINANCIAL TIMES CONFERENCES

## THE OUTLOOK FOR **EUROPEAN PETROCHEMICALS** LONDON, 3 & 4 JULY 1989

By Clare Pearson and Edward Sussman

RICHMOND OIL & GAS. e UK

company planning to exploit

netural resource interests which it owns in the southern

states of the US, is coming to

the main market in a £20m

offer for sale that values it at

The company is offering 20m

shares, representing 30.8 per cent of the enlarged equity, at 105p per share to provide e net

£19.46m of new money. Of the

proceeds some \$20m will be used for the drilling pro-gramme and the rest will go on

acquisitions and working capi-

Dallas-based Richmond has

proven reserves, about 90 per cent of which are gas, with a net worth of \$80m and proba-ble reserves amounting to

The company was founded

\$67.4m.

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#### Wagon profits jump 63% but high interest rates prompt note of caution

By Richard Tomkins, Midlands Correspondent

HIGH INTEREST rates have prompted Mr John Hudson, chief executive of Wagon Industrial, to inject a note of caction into the ontlook for this Shropshire-based manufac-

turing group. Unveiling a 66 per cent increase in pre-tax profits from 19.18m to £15.25m for the year to March 31 1969, Mr Hudson said yesterday that order books across the group were above the levels of 12 months

Some operations, bowever, were quieter. The slowdown in consumer demand had hit sales of Banro's microwave cooker components, and the UK office equipment business was suffering from a pause in refurbishment activity.

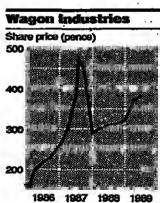
Mr Hudson looked forward

to another strong year, but bedged his optimism with the proviso that a deterioration in the economic climate was not triggered by a further increase in interest rates. The figures for the year just ended include a nine-month contribution from Banro, the

quoted engineering group which Wagon bought for £39.2m in July 1988. Turnover rose from £124.6m to £196.8m. The materials handling and storage division made trading profits of £8.24m (£6.6m); office equipment made £3.85m (£2.61m); engineering made £2.23m (£1.86m); and the new automotive division made

Two of the strongest performers during the year were the office equipment division, which saw a strong contribution from Vinco-MT in France, and the engineering division, where Oleo Pneumatics continued to benefit from strong international demand for its

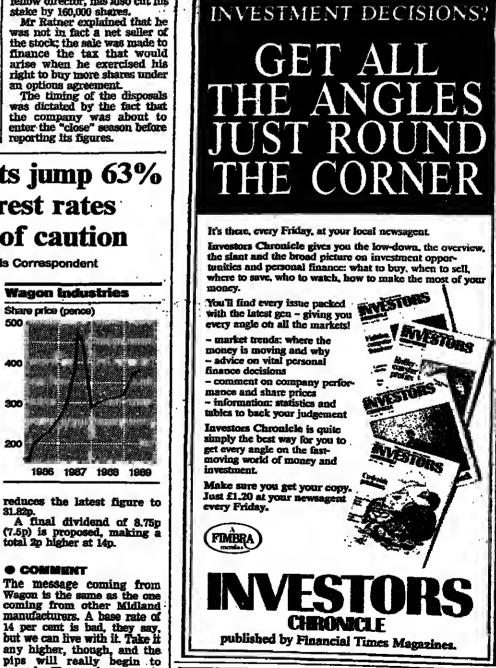
buffers.
Administrative and interest charges rose from £1.88m to £3.64m. Basic earnings per share rose from 28.34p to 33.7p, but full dilution for the con-vertible stock issued last year



reduces the latest figure to 31.82p.
A final dividend of 8.75p (7.5p) is proposed, making a total 2p higher at 14p.

O COMMENT

The message coming from wagon is the same as the one coming from other Midland manufacturers. A base rate of 14 per cent is bad, they say, but we can live with it. Take it any higher theuse to be said to be sa any higher, though, and the pips will really begin to sqoeak. Wagon, however, is better spread than some, and it would be wrong to overdo the gloom merely on account of Mr Hudson's frankness. Vinco-MT's and Banro's operations in France, together with the recent acquisition of La Ferre-tera Vizcaina in Spain, give the group a strong presence outside the UK economy. Oleo, also orientated towards the international marketplace, is still seeing strong demand. And the biggest division, mate-rials handling and storage, may have seen a fall-off in big may have seen a rail-on in big pallet orders from UK retailers, but is still looking at an order book 20 per cent up on the year. With analysts looking for £20.5m and the shares Ip up at 383p, the prospective p/e of 10 (on equity fully diluted) makes ample allowance for caution.



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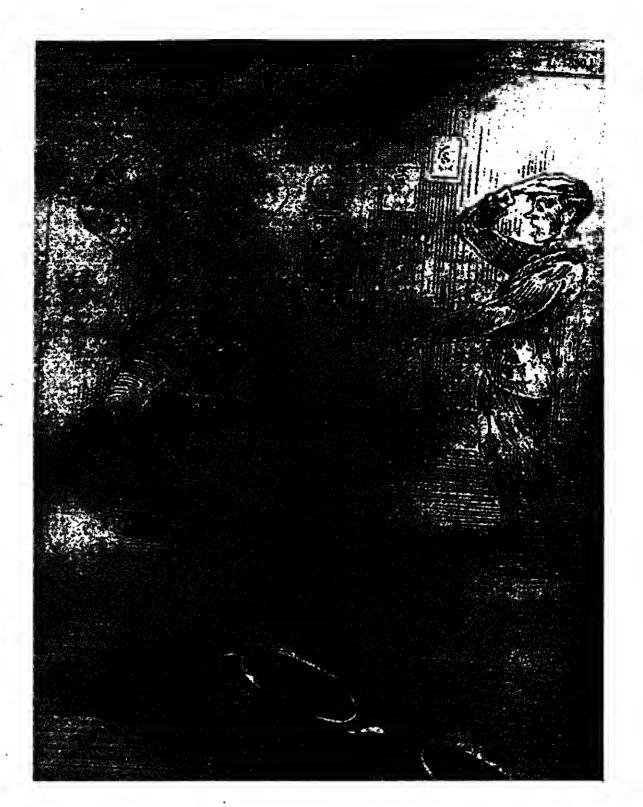
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UK ECONOMIC INDICATORS

#### UK COMPANY NEWS

## Rise in prices helps Shanks & McEwan advance to £13.5m

By Vanessa Houlder

SHANKS & McEWAN Group, waste disposal specialist, yesterday announced a 37 per cent rise in pre-tax profits from £9.85m to £13.52m for the year to March 25. Turnover increased by 46 per cent from £59.82m to £87.04m.

Strong demand resulted in a 15 per cent rise in prices in the waste disposal division, while operating costs increased in line with inflation. Mr Peter Runciman, chairman, said that the introduction of tougher legislation did not require any action from Shanks & McE-wan although it gave indirect oenefits through raising costs for many of its competitors.

The company estimated that the market share of the domestic, industrial and commercial waste markets — which are growing at about 7 per cent a year — had risen from 5 per cent to 6.5 per cent.

Capital expenditure totalled £20.5m, 80 per cent of which was spent on acquisitions and organic growth, with the remainder on existing vehicles and plant, and on gas control. At the year end the company had a cash balance of £6.6m. Further acquisitions are planned to expand its landfill capability and to huilt up its

collection network to feed waste to the sites. Shanks & McEwan has a landfill hank of 250m cu m, including options and pre-emption rights. During the year it increased its available space from 80m to 83m cu m.
The construction division.

where profits increased from £1.47m to £1.68m, saw a drop in margins as a result of a temporary downturn in its quarrying activities. Mr Runciman said that the division had a healthy, high quality order book and its performance would match the growth of the rest of the com-

Fully diluted earnings per share rose from 36.7p to 44.2p. The dividend for the year increased from 15.5p to 19p.

With the spotlight on the envi-

ronment, 1989 has been a boom time for waste disposal companies and Shanks & McEwan -which has seen its shares rise hy 63 per cent — is no excep-tion. Indeed, Shanks is one of the most likely beneficiaries of the green phenomenon, being the largest and reputedly the highest quality of all the UK landfill specialists. Its deal with Hanson earlier this decade gave it a wealth of landfill sites; and its avoidance of toxic and other contentious wastes makes it relatively unlikely to suffer any disastrous setbacks. For the foreseeable future the company seems set for annual earnings growth of 20 per cent, so analysts feel confident it can achieve pre-tax which puts the shares, up from £16.8 to £16.88, on a lofty p/e of 30. That looks demanding from an earnings point of view hut is probably justifiable in view of the strong asset base and the thin market for the shares.

#### Mt Charlotte purchase

investments, the hotel group, is adding to its London interests with the purchase of the Charles Dickens Hotel in Lan-caster Gate for £24.25m

Cash of £12.5m has been paid with the balance in shares to be issued in December. The 3-star Charles Dickens is the current year.

CHARLOTTE opposite the Park Court Hotel, another Mount Charlotte prop-erty, and will be run as an adjunct to lt. It has 193 bedrooms and normally enjoys occupancy levels of more than 90 per cent. It is likely to make £2m next year and is expected to cover its interest charge in



Profit Det	iore t	ax up	00%				
Summary of results for the year ended 31 March 1989							
		1989	1988				
Sales	up 58%	£196.8m	£124.6m				
Pre-Tax Profits	սք 66%	£15.2m	£9.2m				
Dividend per share	up 16.7%	14p	12p				
Earnings per share basic	up 18.9%	33.7p	28.3p				
Earnings per share - fully diluted		31.8p	_				

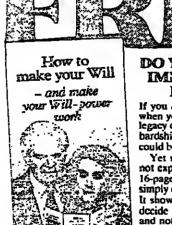
"The Group progressed well during 1988/89 achieving good profit and earnings growth. As a result of changes in the composition of the Group during the year, Wagon now has a significant overseas presence and well balanced U.K. activities. Comparable order books are ahead of those at the same time last year and providing economic conditions do not deteriorate, we look forward to further progress in the new financial year".

Paul D. Taylor, Chairman

WAGON **INDUSTRIAL** HOLDINGS p.l.c. Telephone: (0952) 68011L

28 June, 1989 Copies of the Report and Accounts may be oblained from The Secretary, Wagon Industrial Holdings p.l.c., Haldane House, Halesfield, Telford, Shropshire TF7 4PB.

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# A bitter vitamin pill to swallow

Robert Rice on the likely defeat of one Gold Fields defence gambit

HAREHOLDERS of Con-solidated Gold Fields will vote tomorrow on the so-called "vitamin pill" defence it introduced during the clos-ing stages of the hostile hid for it by Minorco.

In different circumstances, the vote would provide an opportunity to assess how the scheme was recieved by investors and what part it played in their final thinking on Minorco's £3.5bn bid.

But any accurate assessment of these factors and of the likeof these factors and of the like-lihood of the vitamin pill becoming an established part of the UK mergers and acquisi-tions scene is clouded by Han-son's £3.1hn hid for Gold Fields and Minorco's intention of vot-ing its 29.6 per cent interest -although already irrevocably committed to Hanson - against its adoption.

Although it is possible that the vitamin pill could have an enduring effect if the Hanson hid was ultimately declared hostile, analysts were predicting yesterday that the Minorco vote effectively ensured that It would be defeated. The architect of the vitamin pill is Mr John Grieves, head of the corporate finance group at Freshfields, Gold Fields' longstanding London solicitors. It is based on a defence strategy known as "protect preferred" dreamed up at the end of last year by Mr Martin Lipton of

the New York law firm. Under the Lipton scheme, the target company would adopt a resolution that if its existing shares did not reach a pre-determined higher price within a fixed period of years, it would buy them back at a price which reflected any shortfall between the final bid terms and the market price at

the end of the period. The aim of the scheme was to persuade investors that they would not lose if shares dropped once a hostile hid

lapsed.
Mr Lipton sent a copy of the scheme to Mr Grieves in London asking for his comments on whether it would have any application in the UK. Mr Grieves replied that UK com-pany law would not permit such a buy-back resolution, but that if the scheme was tied in to the payment of a pre-deter-mined dividend on special pre-ferred stock it could be used in

the UK as well as the US.

In his way hack from New York in mid-February, it occurred to Mr Grieves that the scheme might have a possible application in the Gold Fields hattle. Until then the defence strategy had heen the "building blocks" approach designed to show the value of the company as a

whole. Gold Fields management

Wachtell Lipton Rosen & Katz, was confident in its assets base and its ability to manage and there was a lot of underlying institutional support. But the compound growth requirement of more than 20 per cent. institutions appeared to be saying that they needed a reason to stay with Gold Fields; some-Critics of the scheme main-

thing to compensate them if the Minorco hid lapsed.

he scheme also had to be capable of introduction by a method requiring less than a special resolu-tion so that it could not be defeated by Minorco's 29.6 per Gold Fields and its advisers

had already talked about the possibility of a straightforward serve the share price. performance promise hut concluded that some sanction was necessary in order to give it credibility. So on April 4 It unveiled the plan as part of its final defence document. If an earnings per share tar-get of 400p for the period

1990-1992 was not met, a special preference dividend of £6, inclusive of advanced corporation tax credit, would be pay-able to existing shareholders in 1992. After payment of the dividend, the preference shares would become worthless. Shareholders would not he asked to vote on the scheme until after the Minorco bid had

in fixing the earnings target, Gold Fields had to come up with a figure which showed good growth; one that would

stretch the management hut which was also realistically achievable. The 400p figure represented an average annual

tained that if the company looked as though it was not going to meet the earnings target and that it would have to dispose of its assets to pay the dividend, the value of the ordi-nary shares would suffer accordingly. Pressure would mount on shareholders to vote the scheme out in order to pre-

It is clear that just as the schema can be voted in by ordinary resolution so it can be voted out at any stage up to 1992. But its supporters claim that any fall in the ordinary share price which resulted from a restructuring of the company to meet the dividend would in practice be compen-sated by the value that the special preferred shares would

r Grieves is slow to claim any lasting henefits for the scheme and reluctant in sdvance of tomorrow's vote to say how great s part it had to play in the outcoma of the Minorco hld. But whatever the outcome of the vote, and of Hanson's hid, it is unlikely that the last has been seen of the vitamin pill.

#### Goodman diversifies into Leisuretime Intl video rental market returns to the black

By Clare Pearson

THOSE WHO have hecome increasingly confused by the myriad of companies with the word "leisure" in their name can take heart from a decision hy Leisuretime international to change its title to Buckingham international.

The change was announced yesterday as the Jivraj familycontrolled hotel, nursing home and tour operator unveiled pre-tax profits of £1.15m, against a loss of £1.36m, in the half-year to end April, as well as the acquisition of its second hotel in Texas. Mr Nick Jivraj, managing

director, said the name change was not only more individual than Leisuretime but would also lessen the association with the Altken family, from whom the Jivrajs took control early last year. Buckingham was the name of the first hotel, in the Cromwell Road, that the Jivrajs acquired in 1973. Leisuretime is paying \$2.9m

£1.87m) to huy the Nassau Ba

FERGUSON INDUSTRIAL

Holdings, tha packaging, print-ing and plastics group, is pay-ing an initial FFr 12.8m (£1.2m)

for Beuque, a plastic hanger manufacturer based at Oyon-nax near the Swiss border. The French group will he integrated into the FIH group of companies to expand conti-

Clear Lake near Houston, After refurhishment, the hotel is expected to have cost about £20,000 per room. Plans have recently heen

announced for the develop-ment of a Walt Disney-designed visitors centre at the Johnson Space Center at Clear Lake. The Premier group of hotels at Walt Disney World in Florida were injected into Lei-suretime after the Jivrajs took

The Preston Travel and Repose Hotels operation lost £578,000. It is expected to make operating profits of ahout £700,000 for the year despite the depressed tour industry. Country Care Homes made an operating profit of £310,000.

Group turnover was £7.365m (£2.51m), and there was a £100,000 (nil) surplus on the disposal of properties. Earnings per share were 1.70 (losses

of 9.7p).

A dividend, the first since Motor Inn, a 220-room hotel at the year-end.

nental European operations.

A further FFr 3.2m is pay-able under the terms of the

purchase agreement.

Beuque returned pre-tax profits of FFr 1.7m on sales of

FFr 22.6m during the year to March 31 and the net asset

value of the company is about

FIH in £1.2m French buy

By Graham Deller

GOODMAN GROUP, the Video Store banner, is being troubled fashion clothing man acquired for £1m, satisfied by ufacturer and retailer, is diversifying from that problematical sector through the acquisition of Ashbrights, a video rental chaln, and Pehhletape, a company whose main asset is a shareholding in Cityvision, the video tape distribu-

Directors said that the purchases, which are conditional on shareholders' consent. would "reduce Goodman's dependence on fashion retail-ing and bring in a husiness which can he rapidly ex-panded from a low capital base".

The move would "offer protection from the downturn currently affecting the clothing retail sector" they

added.
Ashhrights, which trades in

acquired for film, satisfied by the issue of 3.33m shares. Further profit-related payments, of up to 6.15m shares, may became payable over the next three years. In the 13 months to April 24,

Ashbrights made pre-tax profits of £64,732. Net assets at that date amounted to Total consideration for the

two companies would not exceed 12.75m Goodman shares, the directors added.

The need for the move was illustrated hy Goodman's results for the year to end-Jan-nary which showed a pre-tax deficit of £594,000 against profits of £143,000 in the previous

nine month period.

The loss per share amounted to 2.1p (earnings of 0.5p) and there is no dividend

#### Stanco exceeds £2m and doubles dividend to 1p

STANCO EXHIBITION Group, the USM-qnoted company involved in the supply, build-ing and hiring of exhibition and display stands, reported pre-tax profits of £2.01m for the 12 months to the end of April.

The outcome compared with the £817,000 achieved during the previous year and the accounting principles for the 16 months to April 30 1988.

The figures did not include any contribution from GJ Blev-ins, the shopfitter acquired in to its vendors after certain dis-crepancles in valuation of work-in-progress and debtors came to light.

Earnings per 5p share were 2.6p, compared with 1.8p and 2.4p for the previous 12 and 16 month periods. A dividend of 1p was proposed (0.4p).

# ECONOMIC ACTIVITY- Indices of industrial production, manufacturing output (1985 = 100); engineering orders (£ billion); refel! sales volume (1985 = 197), refel! sales value (1985 = 100), registered unemployment (excluding school legiveral sad unfilled vacancies (000s). All seasonally adjusted. OUTPUT- By market sector, consumer goods, inventment goods, invent FINANCIAL-Money supply M0, M1 and M3 (annual percentage change); bank sterling lending to private sector, building societies net inflow, consumer credit; all seasonally adjusted, Cleaning Bank base rate (and period).

117.8

114.9

#### Cadbury buys Spanish confectioner By Lisa Wood

CADBURY SCHWEPPES, the UK soft drinks and confectionery group, is to acquire Chocolates Hneso, a family-con-trolled Spanish confectionery manufacturer for an undisclosed sum.

Hueso, based near Zaragoza, has an annual turnover of around £15m and profits after tax in the last financial year were £1.44m. Net tangihle assets being acquired amount to some £6.5m.

The acquisition, which is subject to Spanish regulatory approvals, does not include the Zahor business which is owned by the same company.

The Spanish confectioner

manufactures both chocolate and sugsr confectionery including Tokke and Huesitos, the two largest hrands in the chocolate-covered snacks sector of the market, called

count lines.
Sales of count lines, while small compared to the more traditional moulded chocolate bar market, are growing rapidly in Spain - by over 8.5 per

BOARD MEETINGS

of board meetings to the Stock Euchanga. Such meetings are usually hald for the purpose of considering orientends. Official indications are not available as to whether the dividends are interima or finals and the sub-dividends are interima or finals and the sub-dividends are married or finals and the sub-dividends are passed melally on

cent a year at a time when the moulded chocolate sector is

Hueso also owns a sugar confectionery hrand, called Respiral which is a strong per-former in Spain which has one of the highest per capita con-sumptions of sugar confectionery in the world.

The acquisition will give Cadhury, which exports its

own confectionery to Spain, a 14 per cent stake in the Spanish chocolate confectionery market where other strong for-eign players include Nestle,

Suchard and Mars.

Over the last couple of years Cadbury has been actively pursuing confectionery acquisitions in the fragmented Continental confectionery market which accounts for 30 per cent of the world volume of confec-tionery and 35 per cent of its

Last year Cadbury acquired Chocolat Poulain, one of the leading French manufacturers of branded chocolate products, for £95m.

• July 4 is the deadline for votes to be taken on an ordinary resolution, put forward by the Cadbury board, to increase the group's borrowing limits to around £1.7hn. Cadbury is seeking to make provisions for the increase by a simple major-ity after recently narrowly fail-ing to increase borrowing limits to around the same level by changing its Articles of Association.
This was because General

Cinema, the US group which holds a 17 per cent stake in Cadbury, opposed the special resolution required to make this change. Some 71 per cent of voters however were in support of the Cadbury hoard's

proposal. Cadbury said it did not know which way General Cinema would be voting on the ordi-nary resolution but its legal advisers had been in touch with those of General Cinema, Contact hetween the two groups had been non existant before the recent debate over increasing borrowing limits.

## DIVIDENDS ANNOUNCED

	Current payment	Date of payment	ponding dividend	for year	last year
Alexander (Walt)fin	3.2	Aug 31	3.2	5	5
Campbell/Arms §lin	3.3†	Aug 25	a	4.95	4.5
Chemoxy Intifin	6.2	Aug 11	3.9	8.8	5.75
Econ Forestry §Int		Aug 3	1.25		3.25
Electronic Dataint	0.7	Aug 4	0.65	_	2.375
GECfin	5.65	Ĭ	4.7	7.6	6.5
Gold Greenlessfin	4.5†	-	3.9	7.5	5.4
Goodman Groupfin	กมี	-	0.25		0.252
Gresham Houseint	3.6	-	3.5	6.6	8
Shanks & McEwanfin	12	-	8.5	19	15.5
Stance Exhibit §lin	17	Sept 4	0.4	-	0.411
Wagon Ind Hidgsfin	8.75†	•	7.5	14	12
Waterglade Intfin	2.75	Aug 11	2.5	4,5	4
Wilshawfin	0.2	Sept 15	กปั	0.2	nİl

Dividends shown pence per share net except where otherwise stated. \*Equivalent efter allowing for scrip issue. \*On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. \$Third market. ‡For nine months. ‡For 16 months.

This announcement appears as a matter of record only

CAPITAL RADIO PLC **ACQUISITION OF** EWART & CO. (STUDIO) LIMITED

Ernst & Whinney acted as financial advisers to the vendors and assisted in negotiations.

Ernst & Whinney Accountants, Advisers, Consultants

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**Avon Transmission Services Limited** 

Ernst & Whinney acted as financial advisers to Avon Transmission Services Limited and assisted in negotiations.

Ernst & Whinney

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#### **UK COMPANY NEWS**

## Flotation problems in less buoyant times

Clare Pearson on the reasons behind the unpopularity of coming to market this year

THE FIRST ball of 1989 may have seen a sharp upsurge in the prices of companies already quoted on the stock market but it is not going to go down as a vintage

period for new issues.
On the contrary, the first six months have seen both the number of companies joining the market and the funds they have raised, fall significantly from the more or less stable levels of the previous two

Statistics produced by Peat Marwick McLintock, the accountants, show that just 59 companies have obtained a full listing or joined the Unlisted Securities Market so far this year. This compares with 105 in the first six months of 1988 which opened with the secondary market still reeling after the stock market crash of

the previous October

A comparison of funds raised reinforces the picture of a depressed new issues market. By this week, it had been tapped for an aggregate £334m; at the same point last year the figure for the first six months of 1968 was £765m.

According to Peat Marwick, it is all a question of the lag effect, since flotations take some time to mature. Difficult secondary market conditions and rising interest rates towards the end of 1988 led sponsors — far more nervous about which companies to take on since the 1987 crash — to advise entrants to put their flo-

Walter

Alexander

**falls 63%** By Edward Susamen

WARM WEATHER, high interest rates and slow US

decline in pre-tax profits for Walter Alexander, the Scottish

industrial group, for the year to March 31.

Turnover rose to 296.7m (295.4m) and pre-tax profits fell from 26.51m to 22.39m, in

line with the group's profit warning issued in April, Earn-

ings, per share were 6.2p (15.3p) and an unchanged final dividend of 3.2p leaves the

total at 5p.

The bulk of the decline was

due to the US operations of the home textile division, which

lost £1.13m on sales of abou

221pi. Under the direction of Mr Alan Cole, chief executive since November 1988, the US

plants and installed new man-

About £260,600 was paid to terminate the contract of Mr

Jimmy Hamilton, the manag-ing director replaced by Mr

TED

, gd

ales resulted in a 63 per c

Hence the very low total in the first quarter, when just 18 companies found their way on to the market. The same reasoming provides an explanation of why the second quarter saw a recovery in the number of flotations to 41: emboldened by the upsurge in the market at the start of the year, compa-nies speeded their plans for-ward.

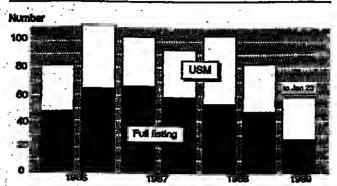
However, the figures must also reflect the lessened attractions of flotations in the post-crash context (while the 1988 result was buoyed up by the emergence of issues postponed in autumn 1987).

Concerns about the liquidity of smaller companies' shares, and how for supposers will look

and how far sponsors will look after new entrants after they have joined the market, are reportedly weighing more and more heavily on prospective entrants' minds

Especially now that so few companies can join on glamorous p/e ratios, the alternative of selling out to a friendly buyer is being looked at more and more seriously, and in particular this is tending to depress the number of management buy-outs choosing to float. The decision by Premier Brands, a buy-out from Cadbury Schweppes, to sell itself to Hillsdown Holdings rather than join the stock market provides a salient recent example. Especially now that so few vides a salient recent example.
Nevertheless, Mr Ray Mackie
of Peat Marwick still expects
the number of flotations to





come out around 150 for the year. "This would be a very healthy result considering the doubts about the British econ-omy at the present time," he

The new issues market, The new issues market, always to a large extent dependent on the timing of a few very big deals, will inevitably see higher levels of activity in the second half.

The period will obviously be dominated by the £5bn-£7bn flotzion of the water authorities. This, the most controversities.

ties. This, the most controversial as well as the most compli-cated of the Government's privatisation exercises, is scheduled to take place in

employee-owned transport and distribution group, in Febru-ary, and Abbey National, the former building society. This Before that, however, the UK tranchs of Euro Disneyland, the flotation associated with

the second half-total, since dealings start early next

Aside from those, there has been just one offer for sale -for Community Hospitals, the independent healthcare group, in May - and even that was only for £20m. A similarly sized offer is about to be launched for the explorer Richmond Oil & Gas.

Reflecting the small amount of funds that has been raised on the market, overy other company seeking new money has chosen a placing (where new shares tend to be alloted solely to institutions). This is cheaper and easier than an offer for sale, and open to all companies looking to raise

£ism or less.

It is in line with this trend that flotations on the USM the junior market, designed for the junior market, designed for the smaller company — have outstripped those on the main market. The USM total is 33, compared with 26 for the main market (against 52 and 53 in the comparable 1988 period).

Such issues will give the general public the first real opportunity it has had this year to participate in the new issues market. The two biggest flotations during the first half, that have also had a popular flavour, have both taken the form of an introduction (where no chares are issued externally) with accommenting The increasing rarrity of the offer for sale obviously sits oddly with the Conservative Government's enthusiasm for

wider share ownership.

How it could better be promoted is one of the items on the agenda of the Initial Issues
Committee — set up by the
Stock Exchange in March —
which also has a brief to
review the competitive position
of the UK market.

## Gold Greenlees tops forecast with £5.15m

By Andrew Hill

GOLD GREENLEES TROTT, GOLD GREENLES TROTT, the advertising and marketing services group, increased pretex profits by nearly 59 per cent to £5.15m in the year to April 30, just ahead of its own forecast at the time of last month's £11.9m rights issue. The figures compare with £8.2m made in 1987-88.

Turnover was up from £56.2m to £104m and earnings per share increased from 21.99p per share increased from 21,09p to 29,34p and the company recommended a final dividend of 4.5p, making 7.5p (5.4p) for the

The results included the first contributions from BDH Communications Group, a Man-

chester advertising agency bought in October, and Babbit & Reiman, an agency based in Atlanta. They made £600,600,

Waterglade International Chemoxy Intl up sliarply to improves 48% to £6.8m

top £1m mark An 88 per cent expansion in taxable profits for the 12 months to end-March was yes-terday reported by Chemoxy International, the Middles-brough-based speciality chemi-

In the UK, the group's Shum-berdown, maker of davets, saw its sales collapse in the final quarter. The company blemed the warm winter and high cals processor The outcome, up from 2564,000 to 21.06m, was recorded during a buoyant period for the chemicals industry, but according to Mr Andrew Reynolds, chairman, this "does not diminish the arbitrary of a very contraction of the chemical contraction of the chemic achievement of a rate of organic growth, to my know-ledge, unequalled in this indus-try".

the warm winter and high interest rates. The weather also hurt the group's liquid fuel distribution division, which saw profits fall from £236,000 to £58,000.

The coachbuilding division suffered a 30 per cent drop in profits to £1.36m (£1.94m) on slightly increased turnover of £28.4m (£26.2m). Improved forward order books and a plant reorganisation lead the company to expect better results in the current year. Both the filtration division and DIY distribution side raised profits, to 511.49m. Earnings were 27.5p (18.3p) per share and a pro-posed final of 6.2p lifts the annual total 53 per cent to 8.8p tribution side raised profits, to £1.84m (£1.74m) and £624,000 (2544,000) respectively.

reduced to \$200,000 if the reduction in interest on cash used in the purchases is stripped out.

The Babbit acquisition last

The Habbit acquisition last June was GGT's first in the US. Last month the group added to its US presence by purchasing Martin-Williams, based in Minneapolis, for an initial \$11m in cash and shares. The company's joint chairmen, Mr. Michael Greenlees and Mr. Michael Gold, said in their estimates treatments were and the treatment weatments.

their statement yesterday that the group entirely rejected the theory that biggest was best. They said GGT was committed to a cautious approach, creat-ing a more resilient corporate

Mr Greenless said the company wanted to complete its North American network in

PROFITS before tax of Waterglade International Hold-ings, the property developer and investor, rose 48 per cent from 24.8m to 28.8m in the year

to end-March.
Turnover in the period increased from £17.45m to £22.7m and included joint venture profits of £979,800 (£44,080). After tax of £2.51m

(\$1.67m) earnings per 5p share increased from 13.38p to 16.81p. The directors said the net

tangible assets of the group had risen to £27.1m, equivalent to 64p per share, and are recommending payment of a final dividend of 2.75p making a total for the year of 4.5p (4p).

WILSHAW, the High Wycombe-based industrial holding company, achieved a

59 per cent improvement in pre-tax profits in the year ended March 31 1989 from

glim to £1.75m, on turnover

shead 41 per cent to 16.37m against £11.59m.
The group has interests in

engineering components, metal powders, aluminium castings,

powders, aluminium castings, and building products.
During the year it was "transformed" according to Mr Peter Reynolds, chief executive, by the acquisition of Begoo, supplier of spare parts for tractors and machinery, and Castal, an aluminium

Wilshaw advances 59%

Management buy-out for

**Tinsley Robor offshoot** 

the

the next 18 months and seek representation in four main European centres — Frankfurt, Paris, Milan and Barcelona. There is about 25m of cash left in the belower short of the the in the balance sheet after the rights issue and the latest US

the construction of a new

theme park outside Paris, is expected to come as an other

for sale. The UK portion is likely to amount to something

nally) with accompanying

These were for NFC, the

During 1988-89 the group won new business from PIRington, Post Office Counters and Conoco.

Yesterday's statement of GGT's acquisition strategy is scathing about what it calls "the 'pacman' approach to cor-porate development pursued by others". GOT is hungry for acquisitions, but it is very much a gournet rather than a gournand at the dinner table,

During the year the com-pany substantially increased its capital base through a film rights issue in convertible pref-erence shares and its property development programme has a completed capital value in

The board also announced that with effect from July 31, Mr Michael Miskin, joint chief executive, will resign his executive duties. He will remain as

moulds and castings maker. There were now three core divisions which formed the basis for future growth, he

The directors are proposing

to pay a single dividend of 0.2p per share, the first since 1977. Earnings per 5p share advanced 46 per cent to 1.65p (1.13p) after tax of £598,000 (2439,000).

Mr Reynolds added that

since the year end trading had continued satisfactorily and the directors intended to make

acquisitions to strengthen the group's activities, as well as to promote growth in those busi-nesses already acquired.

a non-executive director.

carefully selecting the choicest purchases before tucking in. Its attitude to the trade, by contrast, is aggressive, charac terised by no-holds-barred advertising campaigns. It was showing a fly-covered MP, pari of a campaign to persuade poli-ticians to provide more aid to developing countries. The cam-paigns may shock the specta-tors but they don't seem to dis-suade the clients — GGT lost no major customers last year. If last year's earnings figures are adjusted for the rights issue, 1889-90 earnings should show growth of over 20 per cent, on the basis of pre-tax profits up \$8.2m. The shares, unchanged at 300p yesterday, are on an attractive prospec-tive p/o of about 9.

#### Downturn at **Economic** Forestry

Reduced pre-tax profits of Reduced pre-tax profits of £1.24m against £1.37m were announced by Economic Forestry Group, USM-quoted manager of forests and woodlands and garden centre operator, for the half year to April 2 1989. Turnover was down from £20.19m to £18.51m.

The downturn was despite a £594.000 comtribution from the

excess of £250m.

This, together with its expanding investment portfolio, would give the group a sound base from which to achieve further growth, they 2594,000 contribution from the sale of property and invest-ment and a £107,000 revaluation surplus in respect of assets realised Earnings, however, advanced from 6.3p to 7.4p after tax of £194,000 (£480,000). The interim divi-dend is unchanged at 1.25p. The group also announced

the acquisition of Alan Stacey, designer and distributor of home and garden products, for an initial £100,000 in cash with further profit-related payments in cash or shares up to £550,000. In 1988 it had a turnover of 23.4m.

WATERGLADE INTERNATIONAL HOLDINGS ple



#### RESULTS FOR THE YEAR ENDED 31st MARCH 1989

#### Financial Highlights

- Record profit before tax up 48% to £6.8M.
- Earnings per share (fully diluted) 16.21p.
- Dividend per share of 4.5p.

The year under review has been one of continued expansion both in the United Kingdom and Europe. We have again seen substantial increases in the Group's overall profit and net asset value.

Our broadly-based property development programme has a completed capital value in excess of £250 million. This, together with an expanding investment portfolio, will continue to give the Group the sound base from which to echieve further growth in the forthcoming year.

Once again, the Board looks forward to the future with confidence.

> W.H. Adams Chairman 28 June. 1989

Copies of the Annual Report are available from The Secretary,



Consolidated Gold Fields PLC

## SHAREHOLDER LINE

For an important message to all Consolidated Gold Fields shareholders TELEPHONE

0800 444 940



Telephone-free of charge-on 0800 444 940 for a message in relation to the takeover offer from Hanson PLC.

The Disvetors of Gold Fields—other than Mr E.A. Planshridge—are the present responsible for the information contained in this document. No E.A. Planshridge has eccurred length orders that in view of the practice or Chelman of Order Fields of Seath Africa Manhod and of Declaration Councillated Limited, who for for the present that his free plainty is only recommendated. In the best of the length of his first plainty is only recommendated. In the best of the immediate and held of such Directors of Gold Fields, who have taken all resecution over a season that one had be the ones) the influencies counting the first that the length of the ones) the influencies counting the latest the impact of web helds and the council of Fields, other than 18 L.A. Planshridge, account regardability accordingly.

# | Right Law | Company | Price | Champe | div (b) | % | Price | Price | Champe | div (d) | % | Price | Price | Champe | div (d) | % | Price | Price | Price | Price | Champe | div (d) | % | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Price | Pr

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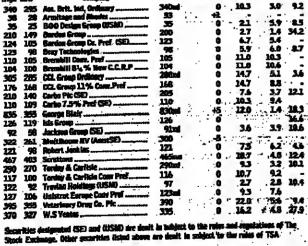
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Jun. 1829/1838 -13 Jun. 2204/2214 -14 Jul. 2530/2542 -3

Sep. 1859/1868 -13 Sep. 2243/2253 -15 Sep. 2545/2557 -3

Prices taken at 50m and change is from previous close at 90m.

## SPONSORED SECURITIES



TINSLEY ROBOR, the specialised printing and packaging group, yesterday confirmed the disposal of its lossmaking Robor carton printing subsidiary. The buyer is Deckplant, a

By Graham Deller

newly-formed management buy-out vehicle led by Mr Ian Robinson, Robor managing

director.
Thisley will receive approximately £1.9m from the deal, which is conditional on share-

holders' approval. Yesterday, Mr John Rose, chairman, said that the proceeds would initially be used to reduce group borrowings. He added that Tinsley had "certain investment plans for the promotional print division among other things, but declined to elucidate further. The promotional printing side is the largest supplier of

printed packaging material to the UK music industry, supplying compact disc and cass booklets and inlay cards, record sleeves, posters and connected promotional items. "We have ideas of continued expansion in this area" Mr

Rose said yesterday.

Robor, based in Lancing,
Sussex, had been under threat
of closure if the sale had not gone through. It incurred a pre-tax deficit of £411,000 on turnover of £5m in the year to end-March 1989. The operating loss amounted to £125,000.

Tinsley regards the market for printed cartons, particu-larly of the multi-coloured "freeze glaze" variety for the food retailing industry as "highly competitive" and that additional capital expenditure was required for Robor to trade profitably.

CHEMICALS INDUSTRY The Financial Times proposes to publish this survey on.

11 JULY 1989

For a full editorial synopsis and advertisement details, please

DENIS CODY on 01-873 3301

or write to him at:

Number One Southwark Bridge London SEI 9HL

**FINANCIAL TIMES** 

#### **COMPANY NOTICES**

TAYLOR WOODROW
INTERNATIONAL FINANCE B.V.
US\$20,000,000 8%%
CONVERTIBLE GUARANTEED
BONDS 1990 GUARANTEED
BY TAYLOR WOODROW plc

Pursuant to the mems of lesus of the above-named Bonds, you are hereby notified as follows:-

At the Extraordinery General Meeting of Taylor Woodrow pio held on 18th June, 1989; it was resolved to make a capitalisation issue of ordinary strans credited as fully paid to ordinary strans-locations on the register at the close of business on 18th June, 1989 at the rate of one share for each one share both As a work of the each one after held. As a result of the capitalisation issue the conversion price of the Bonds has been adjusted with effect from 19th June, 1989 in accordance with Condition 8(C)(1)(4) of the Bonds from 120p to 80p per share.

#### **LEGAL NOTICES**

OCCUPANT LANGUAGE

We, highl John Vooght and John Martin Ire-dale of Cork Gulfy. B Greyfriam Road, Resolog, Berichine RG1 LIG were appointed joint administrative receivers of Powerware Limited (Registered No 2201746) by Service Sent Pio on 14 June 1908.

ART GALLERIES

#### LEGER 13

Old Bond St., W1. 01-629 3538 BRITISH PAINTING. Mon-Fri 9.30-5.30.

#### **COMPANY NOTICES**

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED (Incorporated in the Republic of South Africa) Registration No. 01 05309 06 NOTICE TO MEMBERS

ANNUAL GENERAL MEETING Notice is hereby given that the neventy-second annual general meeting of members of Anglo American Corporation of South Africa Limited will be held at 44 Main Street, Johannesburg, on Thursday, August 31 1989, at 10500, for the following business:

To receive and consider the annual financial statements for the year ended March 31 1989.

To elect directors in accordance with the provisions of the Corpo of association.

3. To consider and, if deemed fit, to continue to authorise the directors to affet and same, after providing for the allotment and issue of shares in terms of the share incentive scheme and the employee shareholder scheme, the retriaining turismed shares in the capital of the Corporation, in their discretion in terms of and subject to the provisions of the Companies Act.

Holders of share warrants to bearer who wish to attend in person or by proxy or to wore at any general meeting of the Corporation must comply with the regulations of the Corporation under which share warrants to bearer are issued.

A member entitled to artend and vote at the meeting is entitled to appoint a proxy or proxise to attend, speak and vote in his strad. A proxy need not be a member of the Corporation. If required, forms of proxy are available from the Head and London offices of the Corporation.

By order of the Board C L MALTBY

June 28 1989

Registered and Head Office; 44 Main Street Johannesburg 2001

- -

None:

1. There are no service contracts granted by the Corporation, or any of he subsidiaries, to any director or alternate director of the Corporation, which need to be made available for inspection in terms of the requirements of The Stock Exchange in London.

The 1989 annual report is being posted to registered shareholders today and copies are available for holders of share warrants to bearer from the London office.

#### **COMMODITIES AND AGRICULTURE**

## Row looms over planned EC ban on dairy hormone

By Tim Dickson in Brussels

THE RUMBLING controversy over bovine somatotropin (BST) - the powerful hormone which manufacturers claim can stimulate the milk yield of a cow by up to 25 per cent - is set to erupt in Brussels next month when the European Commission formally adopts a plan to ban its use in Rurope over the next 18 months to 2

Mr Raymond MacSharry, the EC's Agricultural Commissioner, is understood to be circulating a draft proposal on this sensitive issue, which now seems certain to be agreed by his Commission colleagues in the next couple of weeks and submitted to EC farm minis-ters at their next meeting on

The Brussels authorities will be anxious to stress that the proposed ban is only tempo-rary, and that it has been tabled largely hecause the results of the scientific tests conducted so far are not con-

The move is nevertheless expected to provoke allegations of Luddism by parts of the sci-ence establishment and multinational drug compenies, such as Monsanto and Eli Lilly. which have poured billions of dollars into developing and promoting BST. The suspicion of BST'o supporters will be that the Commission has bowed to fierce consumer and environmentalist pressure, as well as the concern of market managers at the likely impact of such a yield booster on EC milk production.

Among the problems for the Commission has been the fact that the scientific evidence given to the Committee on Vet-erinary Medicines and Pharmaceuticals suggests no danger from BST to human or animal health. On the other hand, there appear to be widespread consumer fears about the use

BELGIUM'S Metallnrgie Hoboken Overpelt (MHO) said yesterday that it did not know if workers at its copper plant

would obey a union order to

return to work today, reports
Reuter from Brussels.
The workers have been on
strike over pay since June 8 at
the plant in Olen, which produces all MHO's refined copper

and fabricated copper prod-ucts. The strike forced MHO to



Ray MacSharry: Circulating

of what one group of scientists called an "unnatural agent", a mood reflected in last year's call by the European Parlia-ment for a Commission study of the wider economic and social implications of BST, as well as of the direct effect on human and animal welfare. It is that report which has been used as the basis for the Commission's internal deliberations and which will be for-mally passed on to the Council of Ministers at next month's meeting. Written by DG 6, the Agricultrual Directorate General in Brussels, after consultations with a wide variety of parties including farmers, conoumers, commercial interests and veterinarians, it apparently concludes that there are still questions such as the impact on milk quality and the presence of residues in meat where the scientific proof pro-vided so far is "not sufficient." "Mr MacSharry's position is that there are still surveys to be conducted," one well-placed

insider commented last night.

Restart doubts at copper plant

will obey the order." he said.

authorising the use of BST on the EC's economic and social structure - although it is not thought to give particular ammunition to those who claim that the small family farm will consequently be

under attack.
As for consumer reactions, the study simply points out that two surveys are currently being conducted and that the detailed responses have not yet been collated.

The main argument inside the Commission – and indeed among member states – is among memher states — is likely to be the duration of the ben. Some Commissioners may feel that Mr MacSbarry's apparent preference for a two year ban running to the end of July 1991 is too long and that 18 months or even less is more appropriate.

Several RC Farm Ministers have already staked out their nositions on RST. At this

positions on BST. At this month's Farm Council in Luxembourg, for example, Mr Ignaz Kiechie, the West Ger-man minister, seemed to affirm his clear opposition to its use, while Mr Henri Nallet, his French counterpart, warned that the concerns of the Green parties ought to be taken into account. He expressed worries about the implications on internal European farm trade if member states did not reach agreement within an EC frame-work on the BST issue. Mr John MacGregor, the UK's Farm Minister, under-lined his determination that

BST has already been authorised for marketing in a number of countries, including the Soviet Union, Czechoslo-vakia, India and South Africa. Antborisation has not been The official report also looks at wider food quality, animal welfare and the effect of granted in the US but a decision is expected by the end of

"farmers should not be

deprived of scientific prog-

## Militancy fires Brazilian soyabean dispute

John Barham on the battle between farmers and government over market conditions

BRAZIL'S SOYABEAN growers are locked in a bitter dispute with the Government over almost every aspect of the industry. Militant farmers have blocked roads, besieged processing centres and burnt tons of soyabeans in public. Yesterday they were planning a major demon-stration in Brasilia, the

Mr Alysson Paulinelli, presi-dent of the National Confederation of Agriculture, said: "Farmers are being victimised by a triple garotte: no credit, price freezes and a ridiculously overvalued currency." Producers say prices must rise by over 20 per cent and the cur-rency should be devalued by 25 to 30 per cent. Mr Paulinelli insists that farmers will not sell a single bean until the Government settles all their

The wealthy soys farmers have considerable clout. Soys was expected to bring in \$4hn in export revenues this year, making it Brazil's third most important source of foreign exchangs. Mr Paulinelli says producers are still holding on to 75 per cent of this year's record 22m-tonne harvest.

The soyabean protest began over a month ago and has grown in intensity with each abortive meeting with government officials. And soya growers are not alone: orange. coffee, cocoa, rice and even sisal producers are also rest-less. Even industrial exporters are clamouring for a more aggressive exchange rate pol-icy. It seems that the soya farmers' protest is beginning to

The port of Paranagua, which handles half Brazil's soya exports, is at a virtual standstill. At this time of the year, exports should be at their peak. The port expects to han-dle about 1.1m tonnes of soya this month, when it should be handling closer to 1.8m tonnes. Lorry deliveries are down to 130 a day from an expected

Maria do Focorro da Cruz, a port official, said: "Exporters are worried that if this goes on any longer there could soon be lack of export cargoes. Reports that some Brazilian exporters are unable to honour sales contracts have begun to affect prices.

The Finance Minister has

stampeded into action and cannot make policy changes to suit a single interest group. But the exploding inflation rate has forced the Government's hand once already. Earlier this month it resumed daily devaluations of the Brazilian cruzado and re-introduced daily indexation to adjust prices for inflation, measures that economists and businessmen as well as farm-ers have been demanding since

But exporters say the cur-rency is still 25 to 30 per cent overvalued, damaging the com-petitiveness of all exports. And since domestic soya prices are tied to the international mar-ket, the overvalued currency ket, the overvalued currency also depresses local prices. By the farmers' calculations, a 60 kg bag of soyaheans costs \$14.65 to produce on average. However, the local market is only paying \$11.77 a bag. Centralsul, a large Rio Grande do Sul co-operative, says financial charges alone amount to \$3.15. charges alone amount to \$8.15

a bag. The CNA claims that the sales boycotts have already cost \$300m, in lost sales and falling prices. The Confedera-tion insists that producers are

determined to hang on to the bitter end. The longer they hang on, the more costly their protest becomes. Prices have been alking all year as fears of the drought in the American Miniwest recede.

Prices could fall even faster with the approach of the US harvest in September. Never-theless, Brazilian farmers are confident that the Government will adjust exchange rates well before then. If not, they hope the boycott will prevent a price collapse, even though Brazil's output is less than half the normal US harvest.

The protest has not driven up domestic prices significantly yet. Government price controls were only lifted last week. However, prices are bound to begin rising as supplies of soys cooking oil, a simple food, begin to run dry.

Farmers say prices need to increase by a quarter. An official at a farm co-operative and The value of our bank loans has been adjusted in line with inflation, which has increased 60 per cent since February 1. But our prices are adjusted by the exchange rate, which has been devalued by only 36 per cent since January."

Until recently, Paraguayan traders were suspping up all the Brazilian aoya they could lay their hands on. They paid farmers the going international price, converted at the black market exchange rate, which quoted the cruzado at one third

quoted the cruzatio at one varid of its official value. Now, how-ever, Paraguay is awash with Brazilian soyabeans. Since producers are not sell-ing their produces, they have also stopped repaying their bank loans. That in turn has starved banks of funds to directly winter cross. Mr Panis. finance winter crops. Mr Paul-nelli said: "The protest will not

nelli said: "The protest will not affect winter crops if the Government acts in time."

The protest's leaders are resigned to defeat over their third demand — the redumption of official credit. By law, they claim, the Government is obliged to provide all the financing they need. However, the Government is on the verge of insolvency: it can lately pay civil servants' salaries, let alone provide adequate credit for wealthy farmers. Mr Paulinelli said: "Parmers are going to have to learn to become to have to learn to become self-financing they will have to learn to depend less on the Government."

## Cultivating a future in the export of wood products

Barbara Durr looks at a burgeoning Chilean industry fueled by foreign investment

PROTECTED FROM Chils's hrisk winter winds and sudden frosts, Sm eucalyptus seedlings are being carefully cultivated hy Royal Dutch Shell's Chilean subsidiary. The seedlings, grown in high technology greenhouses outside the central south town of Los Angeles, will be planted by next month and form part of the wood stock to feed Shell's \$285m

short fibre pulp plant.
Shell, in partnership with
Scott Paper of the US and Citibank, will have invested by
1991 a total of \$420m in the
project. And this is only one of three massive pulp invest-ments due to come on line in the early 1990s. Over the next decade, Chile is poised to become one of the

world's top forestry products exporters. From 1987 to 1992, some \$1.9bn will have been invested in forestry, with pulp projects accounting for the lion's share. By 1933, Chile's state-owned National Forestry Corporation predicts that the country will export \$1.2bm in wood products.

The country has come a long way since 1973, when forestry was largely for domestic selfsupply and exports barely reached \$38m. Last year these cent of the total of \$7bn, "and this year will be as good as last," claims Mr Ivan Castro, the corporation's director.

off point in forestry, thanks to some intelligent policy-making at CONAF. in 1974, the first full year of the military gov-ernment, Chile changed its laws on forestry to provide substantial incentives for tree planting. Under Decree Law 701, which expires in 1994, the Government has granted a 75 per cent subsidy for costs of plantation, plus waivers on taxes through the first rotation of trees and additional subsidies for pruning.

The policy has brought results. Roughly two-thirds of the country's 1.3m hectares of plantations have come into existence since 1974. Plantations, mostly of radiata pine but with an increasing amount of eucalyptus, are projected to reach 2m hectares by the time the law expires.
Yet expanded plantation

area only tells part of the story. Chile's climatic and soil conditions yield high growth rates, with rotation periods of eucalyptus, for example, as low as eight to ten years compared with 50 to 100 years in Scandinavia and Canada Combined with low labour costs, this makes Chile one of the world's lowest cost timber producers. The Chilean industry's potential has attracted investlanders - Carter Hope Harvey and Fletcher Challenge - were some of the first to catch on. be corporation's director. Carter Hope bought 15 per cent
Chile has reached the take-

BRITAIN'S FARM Woodland scheme could result in the planting of an extra 10m trees, niaming of an extra tom trees, including 2m oaks, Mr John MacGragor, the Minister of Agriculture, said yesterday.

Speaking during a visit to the Royal Norfolk Show at Norwich, the Minister said he was very pleased with the response to the scheme. In its first eight months, to the end of May, nearly 900 farmers had applied for grants to plant more than 6,000 hectares over the next three years. The planting target for that period is 36,000 bectares.

glomerate, which is making a \$600m investment in pulp production. This will be the largest such project in the country.
Chile's top paper products
company, Compania Manufacturera de Papeles y Cartones
has also gone into partnership
with Simpson Paper, of the US, for a pulp project coating \$587m. Copec's and CMPC's plans for two giant plants, both using radiata pine, will produce 350,000 tonnes and 315,000 tonnes and 315,000 tonnes of kraft (chemically processed) pulp per year respec-

tively. Shell, already in Chile for 70 years, also decided on expand-ing into the country's forestry business. It invested \$23m in a pine forest with a sawmill, but for its larger project chose to emphasise development of eucalyptus. Encalyptus grows

COPPER 25,000 fbs: cents/fbs

Close Previous High/Low:

faster than pine (whose rota-tion for pulp wood is 15 to 22 years) and its fibre density is better for producing high-qual-ity pulp. Many experts see it as Chilean forestry's main hope

For its encalypins project, Shell acquired two forests and some smaller lots for a total area of 37,000 hectares, a saw-mill and, with Citibank and Scott Paper, a newly-completed pulp plant. Citibenk and Scott each have a 20 per cent share, Shell holds 60 per cent. Shell's Santa Fe mill, the first euca-Santa Fe mill, the first cucallypius pulp plant in Chille, is currently being converted by the Finnish engineering specialists, Jankko Poyry Group, from its original purpose. Spanish investors, who can out of money and had to abandon the project had converted the

of money and had to abandon the project, had conceived the plant for pine pulp and paper.
Santa Fe's eventual annual production is expected to reach 220,000 tonnes of bleached pulp a year and generate annual exports of nearly \$100m. Some 80 per cent of this production will be purchased by Scott.

The large, investors are tak-The large investors are tak-ing the high road on environ-mental protection, an increasingly sensitive issue as the Chilesn forestry industry develops. The Government is tion of the Bio-Bio River, the largest in Chile, and the source of water supply for the coun-try's second largest city, Con-ception, as well as air pollu-

tion from chemical pulping. Shell will be adhering to US environmental standards, which are currently more stringent than Chile's, at a cost of \$7m for pollution-control equipment at Santa Fe. The volume of Chilean forestry production will rise so quickly over the next decade that infrastructure will be stretched. Const estimates that the state needs to make \$165m worth of infristructure invest-

worth of infrastructure invest-ments in ports, roads and rail-roads. Making it will be up to the incoming democratic gov-erement, according to Const's chief, life Castro.

Some private companies have already invested in smoothing the path to get out their goods. Mitsubishi; for example, which invested from in a woodship pisht, also invested the in a mechanised dock. Shell had to spend \$2.5m to rebuild a public road. Lagto rebuild a public read. Lag-ging infrastructure could slow the pace of development of Chile's forestry industry. For the future, there are two

other questions. It is present what will happen to plantation rates after Decree Law 701 expires in 1991. And transportation costs to its main markets in the Pacific Rim, North America and Europe could Nevertheless, Chile is expec-ted to have a timber over-supply through the 1990s and it looks well set to weather any

Chicago

POYASEANS 5,000 by mins other/50th bushel

Close Previous High/Low

#### outgoing copper shipments on June 14 and to extend this on An MHO official said the

workers had gone on strike

ation in the first place. "This is why I cannot say whether they

without their union's authoris-

#### LONDON MARKETS

COPPER PRICES railled on the London Metal Exchange yesterday as the market followed the lead given in New Yark's Comex. The cash position closed at £1,631.50 a tonne, wiping out Tuesday's £34.50 fall, while three months metal closed £23 higher at £1.603.50 a tonne. £1,603,50 a tonne. Dozlers said widespread trade buying had been attracted by previous low levels, at which the market appeared somewhat

The situation is not clear. If they all come back to work, it (the force majeure declaration) will be lifted rapidly. If only part of the workforce comes back I cannot say what will He said the union had accepted a pay offer on behalf of MHO's three Belgian nonferrous metal plants, including Olen, but that he did not know-

the Olen workers. • In Toronto, the United Highland Valley Copper Part-nership, Canada's largest cop-per mine, said yesterday that its memhers had voted to

strike if a settlement could not

Turnover:7085 (2809) lots of 10 tonnes ICCO Indicator prices (SORIs per tonne). Daily price for Jun 28 1048-95 (1048-83) :18 day aver-age for Jun 29 1024-27 [1019-69]

be reached before the expiry of the current agreement tomor-Highland Valley is 55 per cent owned by Cominco and 45

per cent owned by Lorex Min-

ing Corporation. "After eight years of show-ing restraint in bargaining, it's time for the company to share its good fortune by negotiating a collective agreement that tion," said Mr Richard Boyce, president of the local. "The company has boasted of extraordinary profits," Mr Boyce added. "Instead of making a commitment to the workforce, they have just grown more greedy and are demanding concessions from us on

every front."

#### WORLD COMMODITIES PRICES

	Close	Previous	High/Low	AM Official	Kerb close	Open Interes
Union de la lace	99.7% puris	(\$ per tonne)			FR	ng turnover tonn
Cach months	1630-40 1795-600	1850-5 1827-30	1625/1785	1800-5 1790-2	1807	32,570 lots
Copper, G	req 3) A ober	tonna)			Pili	ng turnover tore
ash months	1630-3 1603-4	1598-7 1500-1	1605/1578	1625-2 1662-8	1603	72,913 lots
wed (% pe	r torme)				Ri	ng turnover turns
ash nontre	425-8 405-16	434-6 406-7	410/408	423-4 405.5-6.5	409	9,545 lots
Schol (\$ p	er tonne)	The same			Filh	ng turnover tonn
esh months	12050-100 11100-50	12100-60 11200-60	11200/11125	11900-80 11100-207	11150	6,670 lots
<b>≥ (\$ per</b> 1	оппо)				Rin	g turnover tores
uly 3 months	10050-60 9665-80	10050-70 9950-10000	9990	10025-60 9965-80	3000	2,014 lots
Inc, Speci	el High Grad	(S per tonne)			Rin	g turnover tonia
स्था। साठसकी	1680-70 1570-80	1720-30 1595-9	1885/1570	1570-5 1584-5	1585	10,992 lots
inc (\$ per	tonne)				Rin	g turnover tonne
esh	1567-9 1500-5	1590-690 1510-20	1606/1486	1980-8 1490-5	1506	9.255 lots

## gold, sliver and platinum as a firm dollar and lower energy prices weighed on the markets, reports Drexel Burnham Lambert. Copper futures were the days exception strong London buying along with stop orders fueled its 145 point rally. In the softs, news of Soviet buying sent sugar prices as high as 1410 basis July before trade selling on the close sank

IN THE METALS, prices slipped in the

**US MARKETS** 

108.55 107.16 108.85 107.20 107.35 108.80 108.60 108.00 163.40 103.00 727/8 701/4 661/2 664/2 664/2 662/4 606/5 668/0 726/G 700/0 669/0 643/D 651/0 959/0 666/0 CRUDE OIL (Light) 42,000 US gells S/berrel Latest Previous High/Low

The state of the s	Class Previous High/Low	40.00		The state of the s		
oversold. Aluminium continued its silde		Gesh 12050-100 12100-50 3 months 11100-50 11200-50 11200/	11900-50 11125 11100-207 11150 6,670 kds	prices. Trade and speculative	Oct 18.72 19.07 19.00 18.70 Nov 18.40 18.70 18.80 18.37	Close Previous High/Low
with cash metal ending \$17.50 down at \$1.636 a tonne. Coffee values, having	Sep 1011 1000 1015 990	Tim (\$ per torme)	Ring turnover torms	depressed the cocos market. Coffee	Dec 18.10 18.43 76.40 18.11	Jul 20.64 20.47 20.79 20.50
fallen heavily earlier in the week.	Nov 1017 997 1018 998 Jen 1025, 1018 1025 1000		10025-60	gained as positive (CO news prompted short covering. The grains all closed	Jan 17.96 18.22 18.13 17.95 Feb 17.63 18.07 18.10 17.68	Jul 20.64 20.47 20.79 20.50 Aug 20.57 20.54 21.00 20.69 Sep 21.02 20.61 21.17 20.87 Oct 21.15 21.03 21.03 21.03
dipped to fresh 1012-month lows in the	Jen 1025, 1018 1025 1000 Mar 1039 1022 1037 1017 May 1052 1032 1054 1030 Jul 1085 1070 1080 1055	July 3 10090-60 10060-70 3 months 9665-60 9950-10000 9690	9995-80 9990 2,014 lots	mixed. Soyabeans fell from elected	Mor 17.63 17.95 17.85 17.68	Sep 21.02 20.81 21.17 20.87 Oct 21.15 21.03 21.00 21.05
morning before ending modestly up on	Mar 1039 1022 1037 1017 May 1062 1032 1054 1030 Jul 1065 1070 1060 1056	Zinc, Special High Grade (5 per tonne)	Ring turnover tonne		Apr 17.09 , 17.85 8 0	. Dec 21.40 21.29 21.56 21.20
the day. The market was edgy as the		Cesh 1680-70 1720-30	1670-5	were steady as some price		Jan 21.42 21.35 21.60 21.35 Mer 21.75 21.62 21.00 21.70
generally gloomy view on the outlook	ICO Indicator prices (US cents per pound) for	8 months 1570-80 1565-9 1665/15	570 1564-6 1585 10,992 lots	consolidation took piece after		Mer 21.75 21.62 21.00 21.70 May 21.82 21.70 21.80 21.85
for the International Coffee Agreement	Turnovor.3822 (6560) lots of 8 ronnes ICO Indicator prices (US cents per pound) for Jun 27: Comp. daily 96.54 (87.57) , 16 day aver- age 103.77 (104.81)	Zinc (5 per tonne)	Ring turnover tonno		HEATING OIL 42,000 US galls, conta/US galls	SOVERED TO A TO A TO A TO A TO A TO A TO A TO
was confused by speculation that	SUGAR (5 per tonne)	- Celett 1301-6 1380-880	1090-8	trading featured sideways action. The	Latest Previous High/Low	
major producers were working behind the scenes to rescue the pact.	Plant Close Previous High/Low	8 months 1500-5 1510-20 1606/14	485 1490-6 1506 9,255 lots	energy complex declined as scattered		Close Previous High/Low
	Aug 304.00 306.00 315.00 303.00			long liquidation exced its recent	Oct 5005 5216 5180 5080	Jul 214.6 217.4 218.6 214.3 Aug 206.6 206.6 211.5 206.2
SPOT MARKETS	Oct 303.00 306.00 815.00 501.00			upward move. The livestocks featured higher belly prices due to scattered	Nov 6186 5276 5235 5186	Aug 208.6 208.6 211.5 208.2 Sep 202.9 203.2 205.5 202.5
Crude off (por barrel FOS) + or -	Aug 504.00 306.00 315.00 303.00 Oct 303.00 306.00 515.00 507.00 Oct 287.00 509.00 287.00 500.00 282.00 Mar 287.00 289.30 289.50 287.00 283.80 285.00 Cct 274.00 282.00 282.00 283.80 285.00 Oct 274.00	POTATOES Exorms	LONDOR BULLION MARKET.	short covering. A lower cash market	Dec 5210 5335 6300 5215 Jun 5225 6346 5300 5225	Oct 196.5 196.0 198.0 198.0
Dubal \$15.40-5.50w -0.18	May 285.00 267.00 293.60 286.00	Close Previous High/Low	Gold (fine oz) \$ price 2 equivalent	kept the cattle weak. Hog futures had a	Jun 5225 5846 5900 5225 Feb 5171 5271 5200 5171	Dec 194.2 193.6 193.0 193.3 Jan 193.5 192.0 193.5 193.0
Brent Blond \$17,90-8.00v -0.20 W.T.I.   1 pm est) \$20,10-0.20w -275		Nov 121.0 117.0 120.0 Feb 140.0 182.0	Ciose 373 k-378 k 239 k-239 k	slow session closing unchanged.		Mer 193.5 192.0 195.5 193.0 Mer 192.7 191.5 196.0 192.5
	White Close Previous High/Low		Opening 373 4-374 4 24012-241		COCOA 16 tomes;\$/tonnes	- May 193.0 190.0 194.0 193.0
ON products (NWE prompt delivery per tonne CIF) + or -	Aug 430.00 427.00 347.00 327.50 Oct 383.00 377.00 391.00 378.50 Dec 370.00 385.80 378.00 378.00 May 385.00 361.80 383.00 383.00 May 385.00	Apr 203.0 191.9 205.8 195.0 May 222.0 210.0 224.0 218.0	Morning fix 873.79 288.791	Many W.		MARZE 5,000 bu min; cents/56lb bushel
	Oct \$63.00 \$77.00 \$91.00 \$76.50 Dec \$70.00 \$66.50 \$75.00 \$67.50 Mer \$55.00 \$51.50 \$53.00 \$55.00	Turnover 661 (901) lots of 40 toranes.	Afternoon fix 873.75 839.363 Day's high 87414-87414	New York		Close Previous High/Low
Premium Gesoline \$218-220 -4 Ges Oil \$143-744 -2	Mer 355.00 351.50 363.00 355.00 Mey 353.00 360.00		Day's low 370%-871 2	GOLD 100 troy oz.; \$/troy oz.	Jul         1209         1224         1221         1209           Sep         1237         1267         1280         1232           Dec         1270         1290         1292         1265           Mer         1261         1299         1299         1290           Mex         1289         1209         1505         1290	had down one
Heavy Fuel Oil \$57-69	Aug 352.00 367.00	SOYAHRAM SHEAL Chonne			Sep 1237 1257 1260 1232 Dec 1270 1290 1292 1295	
Nephthe \$154-156 -2.5 Petroleum Argus Estimetes		Ciose Previous High/Low	Coine S price £ equivalent	Ciose Previous High/Low	Mer 1281 1299 1298 1290 Mey 1289 1309 7305 1290	Dec 247/9 244/9 0001
	Turnover: Raw 8107 (3297)lots of 50 tonnes.	Aug 158.00 158.00		Jun 376.5 376.6 376.6 374.8 Jul 377.0 377.5 8	May 1289 1309 7305 1290 Jul 1305 1322 8 8	Mai 238/0 238/4 258/0 251/4
Other + 01 -	White 2084 (735). Paris- White (FFr per tonne): Aug 2980 Oct 2585, Dec 2500, Mar 2380, May 2380, Aug 2380, Oct	Oct 150.00 151.50 168.60 Dec 150.00 150.00 148.00	Mapiologi 885-690 247-250 Britannia 385-390 247-250	Aug 379.2 879.8 381.5 375.0	* Sep * 1327 1360 1339 1335	May 255/6 252/2 255/0 253/6 Jul 256/6 252/2 259/0 255/0
Gold (per troy oz) \$ \$373.5 -2.5 Silver (per troy oz) \$ 530c -3	Dec 2500, Mar 2390, May 2390, Aug 2390, Oct	Turnover 52 (25)lots of 20 tonnes.	US Eagle 385-890 247-250	Oct 308.5 383.9 365.9 - 360.0	COFFEE "C" 37,500/be; cents/fbs	WHEAT 5,000 bu min; cents/60%-bushel
Platinum (per troy oz) \$604.5 -5.66			Angel 382-857 245-248 Kruperrand 373-376 239-241	Dec 387.5 388.1 369.8 383.0 Feb 391.7 382.2 391.3 391.3	. Close Previous High/Low	
Palladium (per troy oz) \$154.6 -0.15	CRESDE Off. S/bernel	PRESENT PUTURES \$10/Index point	New Sov. 8712-8812 55-6614	Apr 395.9 396.4 396.0 294.5		CHARLES CHARLES
Aluminium (free market) \$1805 -50	Close Previous High/Low	Close Prévious High/Low	Old Sov. 8712-8612 56-5614	Apr 395.9 396.4 396.6 394.5 Jun 400.1 400.5 400.9 396.5 App 404.3 404.8 405.0 405.0	Jul 114.38 111.50 115.60 111.00 Sep 107.47 105.50 109.00 106.00 Dec 105.22 103.51 107.00 103.50	
Copper (US Producer) 1145-118c	Aug 17.40 17.47 17.45 17.30 Sep 17.09 17.16 17.11 16.69		Noble Plat 506.75-514.85 225.25-830.45	Aug 404.3 404.8 405.0 405.0		Dec 423/6 420/2 425/0 420/0
Lead (US Producer) 38.5c Nickel (froe market) 550c	Oct 16.86 16.97 16.86 16.80	Jul 1383 1988 1984 1370			May 105.24 105.00 108.00 106.00 May 107.25 106.90 108.00 108.00	Mar 425/0 420/2 425/0 421/0
Tin (European free market) 010075	IPE Indox 17.44 17.41	Oct 1516 1501 1518 1505 Jan 1548 1542 1548 1545	Silver Ex prime az US ets equiv	PLATINUM 50 troy az: \$/troy az.	May 107.25 106.90 108.90 108.50 Jul 110.25 107.05 110.00 108.50	may 411/0 408/4 412/0 409/0
Tin (Kuale Lumpur market) 26.57r +0.08	Turnover: 8920 (8144)	Jen 1548 1542 1548 1545 Apr 1580 1580 1580 1578	Spot 388.66 530.90	Close Previous High/Low	Sep 108.25 107.38 0 8	304 3744 370/0 375/0 · 375/0
Tin (New York) 484.5c -1.0 Zinc (US Prime Western) 803c	QAS OIL Stionne	Apr 1680 1580 1580 1576 BFI 1383 1391	3 months 351.30 542.40	Jul 508.6 014.4 509.0 608.0	SUGAR WORLD "11" 112,000 lbs; cents/lbs	LIVE CATTLE 40,000 lbs; cents/bs
	Close Previous High/Low	Turnover 186 (190)	6 months 363.45 554.80	Oct 506.3 817.1 511.5 506.0 Jan 507.5 516.6 012.2 508.0		Ciose Previous High/Low
Cattle (live weight)1 117.72p +2.37* Shoep (dead weight)1 179.84p +19.3*	Jul 142.75 144.25 148.75 142.50		12 months 386.80 578.25	Jen 507.5 518.6 012.2 508.0 Apr 511.1 522.1 518.7 513.0		Aug 70.42 70.57 70.47 70.17
Pigs (live weight)† 87.29p +3.99*	Aug 143.50 144.75 144.00 142.50	GRAMS Stones		Jul 514.8 525.8 0 0	Jul 18.68 18.70 14.18 12.65 Oot 13.63 18.74 14.10 19.45	Sep 71.30 71.50 0 71.30
London daily sugar (raw) \$347.0x +7.0	Aug 143.50 144.75 144.00 142.50 Sep 144.50 146.00 148.00 144.25 Oct 146.50 147.75 148.00 148.50	Wheat Close Previous High/Low	LONDON METAL EXCHANGE TRADED OPTIONS		Oot 13.65 13.74 14.12 13.45 Jan 12.89 12.90 12.76 12.75	
London daily suger (white) \$446.0x + 17.0	Nov 148.75 148.25 148.60 148.00			SELVER 5,000 troy or, cente/troy or.	Mar 12.07 12.08 13.25 12.05	Dec 72.72 72.70 72.50 72.60 Feb 71.77 71.75 71.87 71.42
Tate and Lyle export price £337.0 +3.0	Dec 150.00 149.50 150.00	Nov 108.00 108.80 108.00	Alumintum (99.7%) Cells Puts	Close Previous High/Low	MRY 72.90 12.90 13.11 12.90	Apr 72.45 72.30 72.55 72.12
Barley (English feed) \$105.5w	Turnover 6960 (5501) lots of 100 tonnes	Jan 111.50 112.70 111.50 Mar 114.26 115.70 114.35 114.30	Strike price \$ tonne Jul Sep Jul Sep-		Aul 12.00 12.75 12.95 12.98 Out 12.00 12.54 12.75 12.98	72.70 72.80 72.40 72.80 72.40 72.70 72.80 72.40 72.70 72.87 71.77 71.42 Арт 72.45 72.30 72.55 72.12 Анп 71.30 71.10 71.40 70.97
Maiza (US No. 5 yellow) £131.5		May 115.15 119.25 116.25	1750 86 95 4 45	Jun 528.2 530.6 528.7 827.6 Jul 528.6 531.0 582.4 526.5	12.00	
Wheat (US Dark Northern) £138.5u +0.5			1850 20 46 57 95	Aug 533.8 535.5 D 8	COTTON 50,000; cents/ibs	LIVE HOGE 30,000 tb; cents/fbs.
Rubber (spot)♥ 60.00p		Berley Close Previous High/Low	21 712 700	5ep 587.9 540.4 542.0 588.0	Close Previous High/Low	
Rubber (Aug)♥ 64.75p		Sep 104.40 104.40 104.50	Copper (Grade A) Calls Puts	Dec 550.8 553.3 554.5 540.5 Jun 554.3 558.8 0 0	Jul 66.66 67.20 88.00 88.65	Ind the second
Rubber (Sep) \$\P\$ 65.50p Rubber (KL RSS No 1 Jul) 254.0m -2.0	WOOL	Nov 108.00 108,20 108.00	2400 135 165 4 72	Mer 582.8 565.1 565.5 561.5	Cace 69.75 70.08 70.80 69.65	Jul 40.10 40.19 40.15 40.60 Aug 46.32 48.30 48.40 47.05
	This is the final week of the Australian	Jan 111.30 111.50 111.50 Mar 114.20 114.35 114.35 114.30	2500 57 99 25 119	May 571.0 573.5 0 0	70.10	
Coconut oil (Philippines)§ \$555x -5 Paim Oil (Melaysian)§ \$360 -15	salling season. Prices are steady with the AWC buying around 20pc of the offering.	May 116.15 116.25 116.25	2500 15 62 81 179	Jul 579.5 582.0 582.0 880.0	May 71.40 72.00 72.00 71.40	Out 43.90 44.02 43.97 43.70 Dec 46.00 48.12 46.05 45.67
Copra (Philippines) \$ \$350 -5	though much of this is of carding woots. The	Turnover: Wheat 121 (155), Barley 77 (25).		Sep 585.2 590.7 6 0	Jul 71.65 72.00 72.18 72.10	47.00 48.60
Soysbeans (US) \$208 +6	floor price for next season will be lower	Turnover lots of 100 tonnes.	LORDON FOX TRADED OPTIONS		ON 67.70 67.95 69.10 07.40	Apr 43.95 44.15 44.00 43.87
Cotton "A" index 00.3c -0.2	within days and is expected to be only a			Minices	ORANGE JURGE 15,000 lbs; cents/lbs	Jun 48.20 48.17 48.50 47.65
Wooltope (84s Super) 624p	fraction higher. European holidays are imminent and always lead to extremely	PIGS (Cash Settlement) p/kg		RELITERS (Best: September 18 1931 = 100)	Close Previous High/Low	<u> </u>
£ a tonne unless otherwise stated. p-pence/kg.	subdued demand during July and August	Close Previous High/Low	950 101 151 41 85			FORK SELLES 40,000 that contents
c-conts/lb. r-ringgit/kg. v-Jul. u-Jun/Jul. x-Jul/	Trade demand throughout therefore remains 1	Jun 110.0 113.5	1000 73 72 63 55 1050 \$1 51 91 84	June 27 June 26 minth ago yr ago	Sep 172.60 174.75 175.00 171.20	Close Provious - High/Low
Aug. w-Aug. z-Aug/Sep. †Meat Commission	dull, and where new orders are placed they	Aug 111,5 110,5		2014.7 2023.2 2014.4 2024.4	Nov 180.50 161.60 101.50 159.00	- ragarcas
average fatstock prices. " change from a week	tend to take full advantage of competitive prices and any stocks around. Top prices in		Cocce Sep Dec Sep Dec	DOW JONES (Beso: Dec. 31 1974 = 100)	Jan 163.90 156.10 154.00 192.60	Aug 35.35 34.75 35.40 34.65 Aug 35.95 34.95 35.60 34.87 Feb 52.62 52.00 57.80 48.70
-	Bradford are quoted all about 620p/kg for	Nov 118.5 118.0 116.0 Feb 109.5 109.0	800 - 83 124 12 16	Spot 133.25 132.59 132.03 199.10	Mar 153.28 154.25 154.00 150.40 May 152.75 153.90 0	Jul 95.35 94.75 35.40 34.55 Aug 35.95 84.96 35.90 34.97 Feb 52.82 52.00 52.80 62.00 Mar 52.30 01.50 52.80
ago. \$\times_London physical market. \$CIF Rotterdam. \$\times_Bullion market close. m-Majsysian cents/kg.	64s super and 440p for 58s average.	Turnover 15 (5) lots of 3,250 kg	850 32 88 31 31 960 14 61 63 83	Putures 181.63 131.38 137.75 142.68	Jul 152.75 153,80 0 0	Mer 52:50 01:50 52:50 52:50 52:50 52:50
A Ballich interver come diseases, course of			17 91 03 53	-	Sep 152.75 155.80 0	Aug 35.35 34.75 35.40 34.55 Aug 35.35 34.95 35.60 34.87 Feb 52.82 52.00 52.80 62.00 Mer 52.30 01.50 52.80 52.90 Jul 50.80 52.50 54.80 53.40 Aug 50.60 50.60 50.80 50.60
				·		20,80
						·

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#### LONDON STOCK EXCHANGE

# Equities struggle in sluggish trading

EUPHORIA in the UK stock market over last month's improvement in the UK trade deficit appeared to melt away in slow trading yesterday. Share prices soon ahandoned an initial follow-through to Tuesday's gains and had to struggle to stay in positive territory after a sharp dip in US leading economic indicators reminded investors of the dangens of recessionary pressures for corporate profits. Nervous-ness over interest rates was re-stirred by the prospect of today's meeting of the Bundes-bank council.

The FT-SE Index ended a net three points up on the day at 2,209.4, statistically another

**Profits** 

please

at GEC

were pleasantly surprised by the pre-tax profit total. Klein-

take the share price up by 8 to 256p. Turnover of 9.7m shares

confirmed that the market con-curred with a generally bullish

view of the shares among analysis.

Account	Dealler	
That Desilies:	*	7 - · · · ·
Option Declaration		Jul 17
Jun 29 Last Declines:	Jul 13	. Jul 27
Jun 35 Account Days	JH 14	Jul 29
Jul 10	Jul 24	Aug 7
These step death \$.05 am two boat	per may be	arier

post-Crash peak; but a rise of nearly 20 points in the first hour had been quickly cut

The rise in GEC's full year dividend payout had been expected in some quarters of the equity market, but analysts wort Benson had predicted a profit figure of £780m, and County NatWest WoodMac had set a target of 1770m, so the actual figure of 1777m helped

... While the market is concentrating on the prospects for news shortly of a renewed GEC Siemens offer for Plessey, the stock is also recommended en underlying investment grounds. Both Kleinwort and County forecast profits of around £850m pre-tax for the current year, without making any assumptions of ownership of Plessey. Yesterday's share gain, in a somewhat unimpressive equity sector, contrasts with the stock's singuish per-formance over the past five

County sees strength in the shares on the hasis of an improving earnings profile in the core businesses, the impending benefits from the joint ventures with General Electric of the US and with Alsthom and CGEE of France.

through the day, inspired both by the buoyancy of the oil and gas sector and also by demand from income funds which were attracted by a favourable dividend situation and by the probability that a large block of stock may be bought shortly. The stock goes ex an 11.6p dividend on Monday and a change in accounting will

change in accounting will bring next year's ex dividend date forward, probably to April Three dividends in 10, months was too tempting for

many.
Calor'e 42 per cent stake-holder, SHV of The Nether-lands, is said to be on the point of selling its stake in a Dutch food group to raise £83m. SHV is entitled to increase its holding in Calor by 2 per cent a year, worth around 213m, and may buy this year's block, soon. It cannot buy more than 2 per cent without triggering a full hid, a move analysts con-sider unlikely because SHV already has effective control of

back as overnight buying orders were completed and it became clear that the hig insti-tutions had no intention of chasing stock prices. Sentiment was further strained at the close by sterling's inability

Calor and, moreover, has a Calor and, moreover, has a strategy of holding 50 per cent of European liquid gas suppliers and then adopting a handsoff management approach.

Calor shares touched 404p before settling at 402p, a net rise of 9. Turnover was 518,000 shares.

The oil sector, with the wind behind it, as one analyst put it, featured well in the day's trade. The likelihood of an annoucement today of the allo-cation of North Sea exploration acreages - the 11th licencing round - excited more than just the likely beneficiaries. British Gas advanced to a post crash high of 196p boosted post crash high of 196p boosted by US buying, before easing at the close to 195p, a net rise of 2 as 8.5m shares changed hands. Further thoughts of North Sea acreages allocations, likely to be announced in Parliament today, boosted Clyde Petro-leum 3 to 154%. Enterprise Oil 18 to 588p and Premier Consoli-dated 4% to 104p. Launo, another possible win-ner from the licencing round, burst through the important

burst through the important 480p barrier to close 14 better at 492p. Turnover, at 3m shares, was particularly good for Lasmo. Institutions that took stock in 1986's placing are now stiting on a 12p profit, once this year's rights issue is taken into account. Some anataken into account. Some analyst had forecast some profit-taking at these levels, but Mr Keith Morris, of the olls team at Kitcat & Aitken, said, the chartists, would tell you that it is heading for Es."
Widespread positive sentiment on the back of a firm off price and possible lower output from Opec members underplined the majors. Burman added 10 at 625p on thin volume as

Alsthom and CKEE of France.

and from the likely renewal of the bid for Plessey.

Dividend buying

Calor Group, the bottled gas the predicts would get horrisment the predicts would get horrisment the one, inspection, and the predicts would get horrisment the one, inspection, and the predicts would get horrisment theory, inspection, and the predicts would get horrisment the predicts of the predicts insurance broker Willis
There was good trade in EP
(2 befor at 3020) and Shell (up
2 at 4340); volumes were 92m
and 37: respectively. Dealers
spotted Japanese buying, especially of EP, and said that the
company's presentation late on
Thesday fo Japanese institutional investors besed in London; did the trick.

Among smaller stocks, Taskar Resources firmed 4 to

to hold on to early gains and by a dull opening on Wall However, with the equity market shut down one hour

1100

1050

400

200

earlier than usual as the City of London grappled with the latest one day stoppage by national rail and London underground workers, turnover was unimpressive and some sectors were not fully tested. Seaq volume of 446.2m shares, at the early close of 4.00pm, indicated a significant reduction from the 458.2m registered by 5.00m on Treeder. istered by 5.00pm on Tuesday.
The session opened vigorously as sterling at first
showed further improvement

and gains in Government bond-

FT-A All-Share Index

**Equity Shares Traded** 

Apr May Jun

77%p. Dealers pointed to appraisal drilling in Colombia, where the company made a

£180m, down £32m from the same stage last year, while Nomura Research predicts

£175m. Among merchants Morgan Grenfell regained some of their recent losses with a rise of 8 to 277p, while the news that major Danish shareholder Baltica had sold its subsidiary Baltica have to the measure.

Baltica invest to its manage-ment helped hambros firm 2 to

2090 year rest colo l'estate

Boropeon Lein., MOTORS (2) Armstrong Egs., Cellym., PAPENS (2) PROPERTY (3) Rocedwell Land, Fropance Este, Priest Maylens, SOUTH AFRICANS (3) TEXTILES (3) Courtsides, Holding Penisors, TORACCOS (1) Robinsons, TRACES (2) OLE (11) OVENIERAS TRADERS (1) Inclus (3) THEO MARKET (3).

. . .

Tumover by volume , (million)

prices took bond yields below fall, perhaps of 1 per cent, and 10 per cent. While research and took the official figure as a furfund manager staff atten-dances were reduced by com-muter travel problems, equity trading desics were adequately manned

But with neither sterling nor bonds able to sustain early promise and institutional sup-port for equities notable by its absence, share prices soon slipped back and at mid-ses-sion dipped briefly into nega-tive territors. tive territory.

Investment sentiment was further discouraged by the dis-closure that US leading eco-nomic indicators had fallen by 1.2 per cent in May; analysts had bargained for a smaller

formance from the spirits diviannounced that it had valued sion, especially in Southern Europe and Japan, for the new the Isosceles stub equity at

Other brewers were a mixed bag, with Bass, still widely favoured in the market, up 8 at 1022p, Whitihread "A", down 6 at 343p, and Guinness, down 4 at 521p on turnover of 2m shares. Uncertainty surrounding the Eddars IXL stake left Scottish & Newcastle 6 weaker at 32sp.

at 328p. Blue Circle traded more positively as the market diamissed reports of a labour dispute which could affect cement production. The shares rebounded to 523p and RMC followed in the wake with a rise of 11 to 785p. Redisnd were wanted and closed 6 up at 584p but BPB Industries became uncertain awaiting today's preliminary statement and slipped to 229p. Hoare Govett is looking for profits of £202m while BZW forecasts a slightly higher fig-

A rising market for several sessions, Chemoxy International jumped 17 further to 290p after news of nearly dou-

bled profits.

In spite of the transport strike, early close and lack of institutional orders a number of leading Stores stocks traded where the company made a discovery recently, and vague talk of a consortium bid at 90p, possibly involving Shell. "Given their reserves, they look cheap," said an analyst. Scottish hanks were the features among lackinstre clearers, Royal Bank of Scotland adding 7 at 387p and Bank of Scotland 4 at 95p. TSB eased a penny to 110p ahead of today's interims: BZW is forecasting £180m, down £32m from the in good sizes, most notably Marks and Spencer, up 2 at 199p on turnover of 6.2m shares, Sears, steady at 117p on 3.3m, and Burton, 5 better at

225p on volume of 2.5m.
The interest in the Burton left dealers puzzled; none could find an explanation for the rise other than that the shares were due a rally after recent weakness. A large buyer early weakness. A large buyer earry in the day gave the price its initial boost, and although one marketmaker went round the market late in the session sell-ing stock at 223p, the price held up well at 225p.

The squeeze on Kingfisher

The squeeze on Kingusus continued, the shares adding the shares adding the bar and market and placed an

Insurance broker Willis Faber gained 8 at 2675 after one dealer went round the market hidding 242p for stock.

Allied Lyons gained 5 to 462p on turnover of 3.4m shares after BZW, the London securities house, upgraded its profits forecast for the brewer by £15m to £578m for the yearend 1990. BZW cites the affect of the good weather on ice cream Further selling pressure took Amstrad down 3 to 81p as the market continued to take a nervous view of the shares. Several analysts, notably Mr Patrick Wellington of County NatWest WoodMac, have warned against succumbing to the temptation to buy the shares merely because of the 47 per cent fall over the past

47 per cent fall over the past three months. However, turnover was light yesterday and market makers appeared to be moving the price readily in the face of light selling.

Once again there was heavy trading in Asda. Three large bargains of 3.8m, 2m and 1m shares were punched into the Seaq system during lunchtime. The deals were probably part of a sell order, and the Asda. price closed the seasion 3 lighprice closed the session 3 lighter at 160p.

The war of words between over Gateway continued. Just after Salomon Brothers

ther indication of a slowdown in the US economy, with unhelpful implications for the economic outlook on this side of the Atlantic.

However, the market stead-ied as GBC, the UK electrical and defence group, announced significantly better profits for 1989 than market analysts had expected - although the Lon-don market still keenly awaits the renewal of the GEC-Siemens bid for Plessey which is expected by the middle of next month. Share prices were edg-ing upwards in the final moments of the trading ses-

between 30 and 35p rival bid-

ders Newgateway revealed that it was considering increasing its current offer of 237p a share. With both parties pre-vented by the Takeover Panel

from buying further stock, the latest developments had little affect on Gateway, which closed 1% higher at 239p on turnover of Lam shares.

A £6.5m Spanish acquisition and talk of a possible strike at

and talk of a possible strike at one of its distribution plants sent Cadbury Schweppes 4 lower to 365p as 2.3m shares changed hands, while contin-ued talk of a US or European stakebuilder helped United Ris-

cuits add another 4 at 366p in

Rolls Royce broke the £2 bar-rier for the first time since the

crash of October 1987 as 4.1m shares changed hands. But

anares changed hands. But new pastures served only to tempt profit-takers and the stock slipped back to 198p, a penny off on the day. Welr Group benefited from a County NatWest WoodMac profits upgrading to £23.6m from £22.5m for the current year. "Trading and order flows

year. "Trading and order flows are very good," said Mr Pete Deighton at County. The stock climbed 9 to 297p.

A single early trade of 2.96m Rine Arrow shares, nearly half the day's total, helped the

stock firm to 100p.
USM-quotsd Interlink
Express alumped 65p to 208p
when it warned of losses in its

West German franchises. Speculation refused to fade

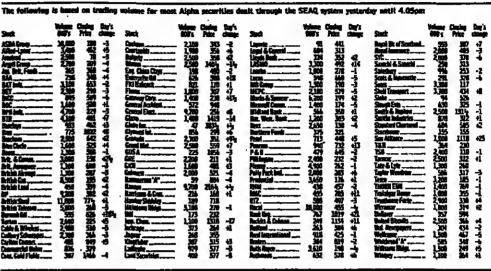
that majority shareholder

Caparo Industries would make an offer for Armstrong Equip-ment and the shares climbed 5

more to 178p. Caffyns, a tightly

FINANCIAL TIMES STOCK INDICES Since Compliano 26 22 High 83.75 127.4 (9/1/35) (3/1/75) (28/11/47) (3/1/75) 1447,5 (3/1) 1797.7 1837,5 (19/5) (16/7/87) (26/6/40) 102.6 193.2 207.1 Ord. Dl. Yield
Earning Yld %(full)
P/E Ratio(Net)(\$\dagger\*)
SEAQ Bargaine(5pm) 4.36 10.26 11.74 4,41 10,39 11,60 25,904 1297,05 27,561 452,0 4.44 10.46 11.52 . S.E. ACTIVITY 22,463 1485,80 28,436 511.8 27,068 1285.37 27,501 418.1 25,374 23,721 1722.9 129.0 176.2 178 6 ery Share Index. Hourly changes 83.1 ●Opening ●10 am. ●11 am. ●12 pm. ●1 pm. NA 18442 1835.5 1834.4 1830.4 173.5 2764.5 2701.6 DAY'S HIGH 1845.4 DAY'S LOW 1830.0 Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, 4NII 11.64 (Excluding Intra business. "Based on 4.05pm closing prices

TRADING VOLUME IN MAJOR STOCKS



held stock, roared higher late

held stock, rosred higher late to end 70 up at 558p.

Pearson figured more promi-nently, rising 13 to 732p on vol-ume of nearly 1m shares. The institutions caught on that the shares have been left behind recently and some increased 6their weightings yesterday, explained a marketmaker.

Yellowhammer, the agency, further responded to annual

further responded to annual figures slightly ahead of expec-tations. BZW reaffirmed its recommendation to accumulate the stock, believing that late the stock, believing that the company has resumed its pace of expansion in profits after flat interims. "The cur-rent discount to the market will prove to be a very good buying opportunity, said ana-lyst Mr Brian Sturgess, as the shares improved to a peak for the year of 208p.

ing in real terms.

Instead of restoring to air passengers their right to full recovery in case of death or injury when conditions clearly

permit them to do so, carriers, up to now strongly supported by their governments, have been clinging tenaciously and blindly to the outmoded privilege of their curtailed liability.

even though it is true that

some claims are so grossly enaggerated that they inevita-bly contribute to the carriers' excessive defensiveness. The sacrifices which such a

system imposes on some vic-tims and the burden which it

frequently shifts on to other possible co-defendants, such as

manufacturers of aircraft and components who may be liable under product liability laws,

airport operators, air traffic controllers and regulators (and

their insurers), are now beginning critically to rebound against the sirlines and the airline industry.

This may force many governments, including the most infinential, to abandon the

Warsaw Convention system altogether, and with it all of its advantages. Paradoxically, the strict interpretation of the

treaty by the courts in recent

years in some countries, particularly in the US, may acceler-

ate this process. Leaving saids baggage and

cargo issues, the remedy which some carriers and their govern-ments now advocate in relation

to passengers consists in the hastily drawn up 1971 Guatemala City Protocol and the subsequent and equally ill-thought out 1975 Montreal Additional Protocol No.3

(MAP3), into which the Gua-temala City Protocol has been

The chief objection to the Guatemala City Protocol and MAP3 is that they render the limit of the carrier's Hability

per passenger for death or injury, fixed at SDR 100,000

(approximately \$125,000), abso-intely unbreakable. And this is so, even if the injury to passen-gers were intentionally caused by the criminal acts of the car-

rier or of his servants and agents. MAPS, if brought into force, would make the position

of many passengers worse than that in which they find them-

All airlines presently operat-ing the 1965 inter-carrier Mon-treal Agreement, initiated by the US Government for flights

to, from and via the US, already assume absolute liability for injuries, even fatal, suf-

selves at present.

incorporated.

The sale of a line of 800,000 shares in MEPC left the property group's price in the red, the stock ending the day 5 weaker at 579p on turnover of over 2m. In contrast, a miserly 400,000 shares were traded in 400,000 shares were traded in the other sector leader, Land Securities, which also went against the trend to close 8 lighter at 577p. Frogmore Estates rose 5 to 537p in response to the news that Markheath Securities had increased its stake to over 17 per cent. Markheath, unchanged at 100p, is the UK vehicle of Mr John Spalvins, Australian entrepreneur, and

Australian entrepreneur, and in spite of recent speculation that he was trying to sell his holding in Frogmore, the UK group's shares continue to be underpinned by hopes of a full bid from Markheath.

The re-rating of Courtaulds showed few signs of slowing. the stock again recording good turnover (1.9m shares) and a fresh gain of 6 at 356p.

Newsletter comment describopportunity" directed buyers towards the shares again and the close was 1% higher at 47p. Smith New Court held at 109p despite market gossip that the securities house will be hard put to show a profit when it reports on Friday.

The recent aggressive buyer of Polly Peck reappeared and the shares bounded 6 to 283p.

 Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 22

## BUSINESS LAW

#### क्षांक्रमान् वसावा होति । इता । इत The Warsaw Convention crisis

By Bin Cheng and Peter Martin

he 1929 Warsaw Conven-tion is facing a crisis. The treaty was signed 60 years ago in an attempt to simplify the complex problems of legal liability in international carriage by air by harmonising the laws of the 30 contracting states. Since then it has been almost universally accepted in either its original or its slightly modified 1955 form and is applicable to practically all international carriage by air. Criticism of the Warsaw

Convention system has risen substantially in recent years, primarily because the balance of benefits it established has now shifted disproportionately and overwhelmingly in favour of the carrier at the expense provided to the carrier at the expense of the carrier at the expen particularly of passengers. The amount of damages they or their families can recover for injury or death is worsening in real terms all the time.

The maximum damages pay-able by a carrier in respect of the personal injury or death of a passenger suffered in the course of carriage by air are limited under the Warsaw Conlimited under the Warsaw Convention system, in the absence of faulty documentation or consciously wrongful conduct ("wilful misconduct"), to approximately \$10,000 (£6,500) or, under the 1955 revision, \$20,000, depending on the journey undertaken. Occasionally, a special contract for a higher calling, usually either \$75,000 or SDR 100,000, applies.

There are signs that, unless action is taken soon either by airlines themselves or by gov-

sirlines themselves or by govetuments to bring about a fair deal for victims, the system may disintegrate to the detri-ment of all.

What has gone wrong? The treaty was drawn np during

the dawn of civil aviation in terms of technology, commer-cial operation, and sviation insmance.

insurance.

It was designed to afford a degree of protection to the airline industry in the form, particularly, of limiting the carder's liability by laying down specific maxima of damages in the carriage of passengers, bagges and cargo, all expressed by reference to the value of sold.

These maxima were to be exceeded only as a penalty for faulty documentation or on proof of "wilful misconduct" on the part of the carrier or of his servants or agents. Departure from the gold standard has prevented the gold clause in the treaty from operating freely. As a wall these was freely. As a result these maxima have been steadily declinfered by their passengers during carriage. Many apply a limit of \$75,000 or of SDR 100,000 to all their carriage of passengers either voluntarily or because of some national requirement.

MAP3, the adoption of which has been vigorously urged in the US until the PanAm Lockerbie disaster in December

erbie disaster in December 1988, offers passengers no more than these two concessions; but it deprives them of the possibility of recovering full com-pensation when there is faulty documentation or wilful mis-

conduct on the part of the carrier or his servants or agents.

Much has also been made in
America of the national supplementary compensation
schemes permitted under
MAP3 and intended to provide
compensation on an unlimited
basis (but subject to certain
reserves).

reserves).
If, however, the latest version of the proposal of such a scheme for the US submitted by the Department of Trans-portation to the Senate in June 1988 is any guide, its adminis-

1988 is any guide, its administration promises to be highly complex, while the benefits are not likely to be satisfactory.

While the plan is to be paid for by, and to cover, all those whose international carriage originates in the US, its benefits are to be available to all American citizens and permanent residents carried under the Warsaw Convention systhe Warsaw Convention sys-tem anywhere in the world, without their having to make any contribution to the

On this basis, if many other states were to establish similar plans, then there would be complex duplications of cover and complicated procedures in unravelling the resultant tan-gie. Yet if no other state is to have a supplementary compensation plan, and none has yet given signs of any, many pas-sengers will find their right of recovery against the carrier drastically reduced by MAPS without receiving any compen-

sating benefit. Even the US plan intends to pay only damages for economic loss and is subject to an overall ceiling of \$500m per incident per aircraft.

In the present, highly sensi-tive atmosphere in the wake of the Lockerbie disaster, the US administration is no longer anxious to push for ratification of MAP3. This puts considerable pressure on other govern-ments, which all the while have been looking to the US for a lead, urgently to consider their own position.
Various independent proposals to reform and revitalise the Warsaw Convention eyetem have recently been made, among them the Alvor Draft Convention relating to International Carriage by air, which seeks to retain what is best in the Warsaw Convention sys-tem, while adapting it to pres-ent-day conditions.

On the question of passenger death or injury, however, there is much to support the system of absolute and uncurtailed liability contained in the Cheng-Martin Initial draft, on which the Alvor Draft Convention is

Although drawing up and bringing into force universally a fresh convention on airline liability may take time, there are ways in which the present unfairness in liability for passenger death or injury can be redressed without the necessity of a treaty or amending

Airlines could voluntarily assume absolute and uncur-tailed liability by waiving the relevant defences applicable under the Warsaw Convention

(Articles 20(1) and 22(1)).
Such a system could be imposed by governments through national air transport licensing and, where possible, foreign carrier permit systems.

Airlines could voluntarily abandar all limitation impossions. Airlines could voluntarily abandon all limitation, imme-diately or progressively. Prog-ress could be made by an immediate increase of the ceiling in special contracts to, say, \$500,000 or even \$1m.

A criminal injuries compen-sation scheme administered by the industry could be created to compensate, independently of issues of carrier liability, victims of aviation terrorism. And the free market price of gold could again be allowed to determine the local currency equivalent of the existing lim-

All these proposals are capa-ble of immediate and unilateral implementation.

Urgent action is now needed if the Warsaw Convention system is to be saved. For how long can any airline justify paying \$120m for a new aircraft while curtailing arbitrarily by treaty and by law the compensation to which victims of an accident to it may otherwise have been entitled?

Bin Cheng is Emerius Profes-sor of Air and Space Law at the University of London and Peter Martin is a partner in London solicitors Frere Cholmeley.

# BERN HORS (116). BRITISH FURDE (9) ARRENDAME (2) BANKS (2) Schrodors, Do. NV, BRISWERS (1) Merebon Thompson Bullenbleds (1) NSA, CHERICAS, (8)-Allied Colloid, Canning (W.), Chekenoy (nt'), Ellis & Everard, Imp. Cheen, STORES (9) ELECTRICALS (19) ASPA AB "A", Do. "B", CMI, Mérconysterns, Ericason (L.M.), Geschner Grp., Penry & Glice Int'l., Palon, TSI, Thom: EMI, Do. Trp. Pt. "82-00, ENGEREERING (9) Advect Grp., Atlan Comm. Esp., Johnson, ECC. In, Linguet, M., Hidge, Vincias Royal, Bright (1) BOC, Serry Weinstein, Styles (1) BOC, Serry Weinstein, Styles (1) BOC, Serry Weinstein, Bright (1) BOC, Serry Weinstein, Bright (1) BOC, Serry Weinstein, Bright (1) Bock, Serry Assoc, Poter Chaldman, Harboon, Humbing Assoc, Poter Chaldman, Humbing Assoc, Poter Cha PARTH LOWIS (). AMERICANS (1) CAMADIAMS (1) INTELESCES (3) CONTROL Phoenix, CHEMICALS (1) Conner Gp., STORES (2) Blacks Leis. Gabled, NECTRICALS (8) 80, FOODS (1) Hopites Food, NOTELS (1) SUPERVIALS (8) CAB Park. New., Intelligit Supress, Lincut Gp., MG Group; SIV Fisigs., Mest Coourse, Myson Gps., Sale Filmy, SOTOMS (1) sellescharting (1) PARTICLE (2) TEXTILES (2) Jerome Hidge., West Treet. **APPOINTMENTS**

**NEW HIGHS AND LOWS FOR 1989** 

#### **New chief** at VSEL consortium

Mr Noel Davies has been appointed chief executive of VSEL. He succeeds Dr Rodney Leach who has retired due to ill health. Mr Davies spent 22 years of his early career with Vickers in Barrow, and was general manager of the engineering works and a director of the shipbuilding group at the time of nationalisation in 1977. Between 1978 and 1984 he was chief executive of the engineering group and a director of Vickers. In 1984 he was appointed managing lirector and chief executive of the 600 Group.

REUTERS, the world news and information organisation, has appointed three senior executives to its board of directors. They are: Mr Peter Job, managing director of Reuters Asia, Mr Andre Villeneuve, president of Renters America, and Mr David Uze, managing director of Reuters Europe, Middle East

and Africa.

Editor in Chief Mr. Mark

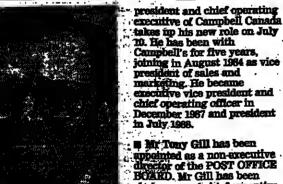
Wood and financial controller: and joint secretary Mr Robert Rowley have been appointed alternate directors. Mr Wood is the first representative of the company's editorial operations.



SCOTTISH AMICABLE has appointed Mr William Brown as its chairman. He Brown is currently deputy chairman and has been a director since 1981. He is also deputy chair man and managing director of Scottlah Television.

to sit on the board for 70 years and will be alternate to managing director and chief executive Mr Glen Renfrew: Mr Ernest Turnbull, chairman of AAP information Services Pty, has resigned his directorship and Mr James Burnet, chairman of Independent Newspapers of New Zealand, has given to his post as an alternate

director CAMPBELL FOODS has appointed a new chief executive from Campbell Canada - Mr John Cassaday. Mr Cassaday, currently



will john Rippon has been appointed deputy chairman of STERLING BROKERS, a subsidiary of the Mayflower

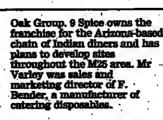
m Following the appointment of Mr.Gendrey Harrison-Dees as general manager (marketing and sales) for SUN LIFE ASSURANCE SOCIETY, Mr Ian Sempson has been appointed managing director of Sun Life Trust Management with responsibility for the group's unit trust and offshore fund activities. Mr Simpson is a director of LAUTRO.

> Mr Glenn I. Seitzer has been elected chairman and managing director of HIMONT (UK). He was vice president, functional chemicals, for Himont Inc.

chalisman and chief executive of Lucas industries since

August 1987.

Mr Roger Variey has been appointed managing director of 9 SPICE, a subsidiary of the

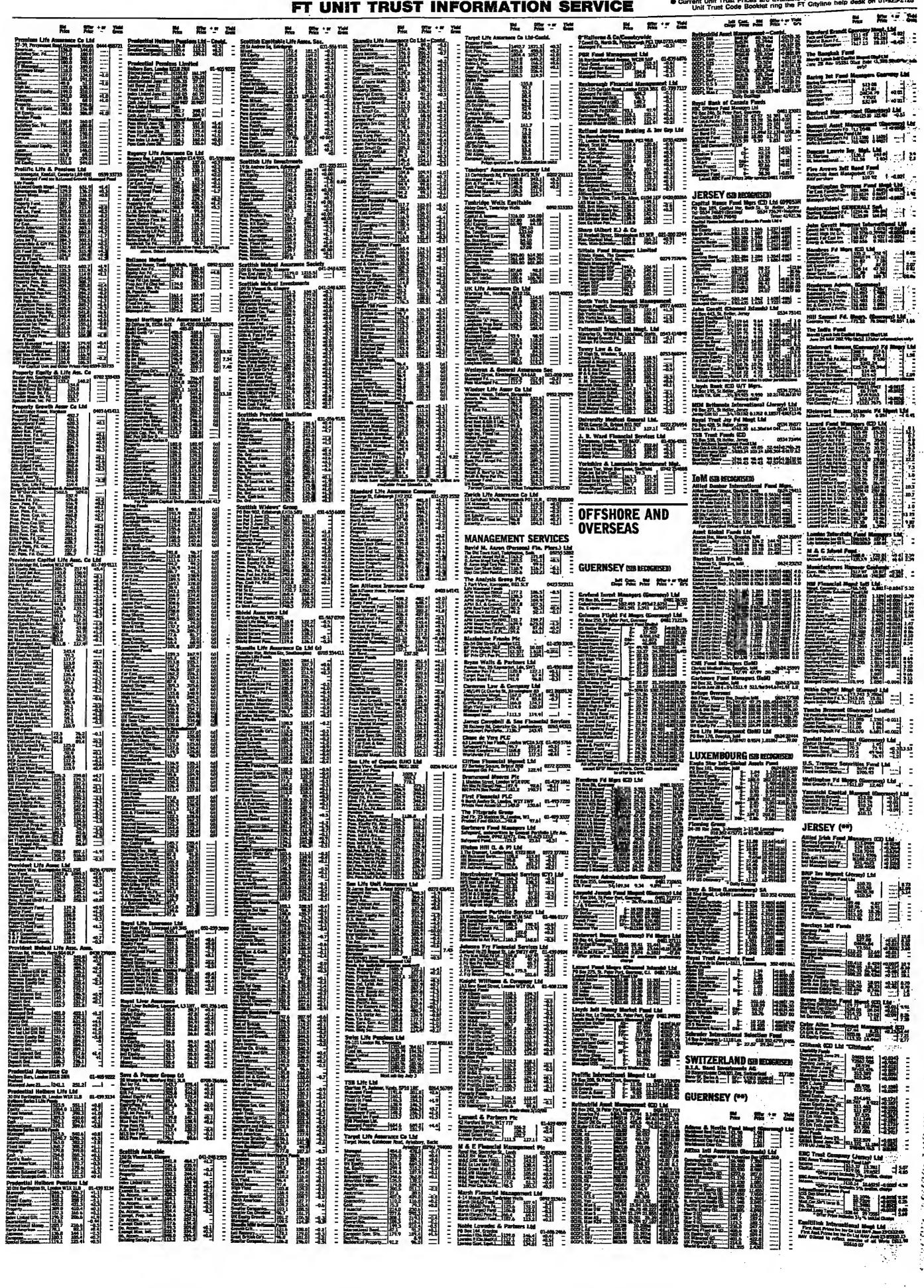


m Mr Tony Charles has joined the board of SELECTV following his appointment as managing director of its subsidiary, Witzend Productions. Mr Charles, one of the original founders of Witzend, rejoined the company in March as a consultant.



GEC AVERY, a part of the General Electric Company, has appointed Mr Jeffrey Nichol-son (above) to the post of man-aging director of GEC Avery International. He was director and general manager with the Dowly Group.

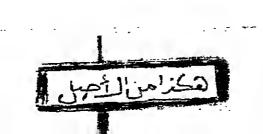
FINANCIAL TIMES THURSDAY JUNE 29 1989



## FT UNIT TRUST INFORMATION SERVICE Current Unit Trust Prices are available on FT Cityline. To obtain your from Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128 Allianty Life Assurances Co. 124 — Confed. Pos Basin Fd Articl. 159 B. 127 — 0.8 Propertyich Articl. 159 B. 127 — 0.8 Propertyich Articl. 159 B. 128.5 — 1.2 Stepin Propertyich 150 B. 128.5 — 152.5 Bright Property Co. 128.5 — 152.5 — 152.5 Bright Property Co. 118.7 — 128.5 — 128.5 Property Acc. 159.4 — 159.4 — 159.5 Property Acc. 159.4 — 159.5 Enrippin Co. 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#### CURRENCIES, MONEY AND CAPITAL MARKETS

#### **FOREIGN EXCHANGES**

## Dollar and pound below best

THE DOLLAR finished below its best levels, but higher on ths day, while sterling fell back on profit taking after a firm tone in early London trad-

Institutional buying pushed the dollar higher in Tokyo, with dealers suggesting that last week's fall below Y140 had led to heavy buying and had shown the level where there

was strong underlying support for the US currency. Japanese institutions with large cash reserves have been regarded as potential buyers of dollar assets for some time. Last week's decline of the US currency provided an attractive buying opportunity and yesterday's intervention by the Bank of Japan did not appear to dampen enthusiasm for the

The Bank of Japan probably sold over \$1bn yesterday, against a nervous background in Tokyo involving renewed political problems. Mr Sosuke Uno, Japanese Prime Minister, was forced to issue a denial that he had offered to resign. Mr Uno was reported to have told his colleagues in the ruling Liberal Democratic Party
Liberal Democratic Party
put the party into more trouble."

News reports added that Mr Uno - who is the subject of a sex allegation scandal in the **C IN NEW YORK** 

June.26	12	test	Close
£ Spot	1.86	1,5590 0,54pm 1,85pm 7,00pm	1.5675-1.5685 0.58-0.56pm 1.70-1.65pm 6.65-6.50pm
			ply to the US dofter
		, June	28 Previous
8.30 art 9.00 and 11.00 and 11.00 pm 2.90 pm 4.00 pm	REN	90.9 91.0 91.0 91.0 90.0 90.0	90.2 90.1 90.1 90.4 90.5 90.9
June 28	Bank rate %	Special Drawfu Rights	
French Frant	7 12.39 5 7.75 4.50 94.5 13.5 94.5 94.5 94.5 94.5 94.5 94.5 94.5	1.2436 1.25036 1.4928 1.7.2173 9.51962 2.4963 2.7557 N/A 176.48 8.9256 8.2973 8.2964 2.104,00 8.404 8.9256 8.2964 8.404	1.05365 1.25858 1.45930 2.33631 2.07210 2.33631 7.03258 1.50.448 2.75232 1.31.759 3.70990

June 28	Bank of England Index	Guaranty Quanges %
Sterling 0.5 Dollar Causalium DoRar Austrian Schilling Belgium Franc Danish Krone Dentsche Öl art Swfts Franc Golider French Franc Lira	90.8 71.8 103.8 106.4 103.0 112.5 107.4 110.1 99.0 98.8 140.0	-200 -6.4 +6.2 +9.5 -6.1 -1.9 +20.3 +16.4 +13.2 -15.7 -19.1 +71.5

**CURRENCY MOVEMENTS** 

Morgan Guaranty changes; average 1980-1982–100, Bank of England Index (Base Average

OTHER CURRENCIES							
June 28	5	\$					
Argentina Australia Brazil Finland Greece Romalk Lummbourg Halaysia Haziand Raziand Sandi Ar Singapore S. Af Crol Lavan Lava	4.2125 - 4.2290 3867,80 - 3891,75 2.7130 - 2.7150 5.8325 - 5.8380 3.0405 - 3.0545 4.3415 - 4.2535 6.1445 - 6.2600 40.40 - 40.50	240.00 - 242.00 1.1195 - 1.5205 1.1960 - 1.960 1.4030 - 4.4030 1.68.15 - 170.55 7.7035 - 7.795 7.7035 - 7.795 64.10 - 649.50 0.2940 - 0.2949 40.75 - 41.05 2.7010 - 2795.00 2.800 - 2795.00 2.800 - 2795.00 2.800 - 27710 2.800 - 27710					
	OCallian rate						

Japanese press - was dissuaded from resigning because after the Recruit Cosmos bribery affair, involving senior mem-bers of the LDP, it would cause political chaos in Japan.

Japan's political problems and institutional demand for the dollar pushed the US currency up in the Far East and led to a firm opening in

Trading was relatively quiet however and fear of interven-tion by the US Federal Reserve, coupled with weaker than expected economic data, brought the dollar down from the day's peaks. May US leading indicators fell a larger than forecast 1.2 per cent, after rising 0.6 per cent in April.

After finishing at Y143.55 in Tokyo the dollar closed in London at Y142.75 compared with

don at Y142.75 compared with Y141.10 on Tuesday. In terms of other currencies it rose to DM1.9645 from DM1.9560; to

SFr1.6890 from SFr18840; and to FFr6.6650 from FFr 6.6325. On Bank of England figures the dollar's index rose to 71.8 from,

Sterling rose to peak of DM3.0750, as the market unwound short sterling positions. Pressure against the pound eased after Tuesday's publication of better than expected May UK trade figures. As the danger of a further fall in the value of sterling receded the cost of carrying short ster-ling positions - at present higher UK interest rates became unacceptable and this

led to short covering.

The pound gained ground, but dealers said it must reach a level of around DM2.1075 before a higher trading range is established. There was little hope of that yesterday and therefore the market took profits, pushing sterling down to DM3.0575 from DM3.0625.

EMS EUROPEAN CURRENCY UNIT RATES									
	Çen central rates	Currency amounts against Ecu June_28	% change from central rate	% change adjusted for divergence	Ohergesco Hanti %				
Belgiar Franc Danish Krone German D-Mark French Franc Dutch Gallder orish Puot Lallan Liva Spanish Peseta	42,4582 7,85212 2,65853 6,90403 2,3193 0,768411 1483,56 133,804	43,3682 8,06515 2,07210 7,03258 2,33531 0,777486 1498,29 131,759	+214 +271 +0.66 +1.66 +1.18 +0.99 -1.53	5 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4 4	±1.5464 ±1.5464 ±1.0961 ±1.3674 ±1.5012 ±1.6684 ±4.0752				

justment o	calculated by Florence	il Times.				
POU	ND SPOT	FORWAR	D AGAI	IST 1	THE POU	ND
June 28	Clay's spread	Clase	Oce month	% p.s.	Three mostly	% 
sada	1.5520 - 1.5645 1.8585 - 1.5710 1.8585 - 1.5710 3.434, 3.47 63.73 - 64.40 11.89 - 11.975 1.4615 - 11.55 3.05 - 3.075 254.55 - 257.75 1.93.65 - 195.80 2205 - 2224 11.104 - 11.194 10.344 - 10.414 2214 - 2214 224 - 2264 246 - 24	1.995 - 1.565 1.860 - 1.860 3.434, 3.44, 63.75 - 63.85 11.89 - 11.90 1.1460 - 1.1460 254.70 - 225.70 193.85 - 194.15 22094 - 22164 11.114 - 11.12, 10.364 - 10.354 21.456 - 12.45 2.144 - 2.634, 1.456 - 1.456	0.57-0.54cpm 0.27-0.15cpm 2-14-gas 20-27cpm 43-43-gas 0.55-0.55cpm 13-13-gas 4-21iropm 34-23-gas 24-13-gas	######################################	1.72-1.68pm 0.52-0.67pm 54-54-58pm 64-80pm 114-114-pm 14-0.21pm 45-4-4-pm 45-4-4-pm 45-4-4-pm 45-4-4-pm 44-4-3-pm 44-4-3-pm 116-112pm 116-112pm	437 160 625 544 4.61 4.63 -1.88 0.63 1.63 1.63 1.63 1.63 1.63 1.63 1.63 1

Commercial r , Six-anguth	1.4550 - 1.4825 axes cowards the end of forward dollar 3.53	1.4550 - 1.4560 of Loodon trading Bei 3.48cpm 11 mounts	gian rate is convert 6.70-6.60pm	4.66 tale frances	1.16-1.12pm Financial franc 64	
DOLL	AR SPOT-	FORWA	NADA GE	IST :	THE DOL	LAR
June.28	Oay's spread	Clase	Ore month	8 <u>1</u>	Three mostles	9 <u>4.</u>
OK! helmul? Casada	98 90 • 41.55 7 63 \ • 7.68 \ • 7.69 \ • 1.9750 163.60 • 163.95 124.60 • 125.15 1415 \ • 1423 \ • 7.12 \ • 6.64 \ • 6.67 \ • 6.67 \ • 142.00 \ • 143.75 11.80 \ • 13.88 \ • 16.69 \ •	15555 - 15965 1380 - 1590 1390 - 11970 12255 - 2215 4095 - 41.05 7.644 - 1,9660 16340 - 163.70 16340 - 163.70 124.70 - 12215 7.145 - 7.15 6.644 - 6.654 142.71 - 142.80 142.71 - 142.80 142.71 - 142.80 142.71 - 142.80 142.71 - 142.80 142.71 - 142.80 143.80 - 1.6965	0 57-0 540pm 0.110-1 15-cd+ 0.27-0 31.cds 0.44-0 420pm 5-00-3 00cpm 0.44-0 420pm 0.44-0 420pm 1.30-3 800pm 1.30-3 800pm 1.30-3 800pm 1.02-1.17 rects 0.52-0 50ppm 1.02-1.17 rects 0.52-0 50ppm 1.03-0 400pm 0.30-0 400tb	42111 4211 4211 42111 42111 42111 42111 42111 42111 42111 42111 42111 42111 4211 4211 421 42	1.72-1.68pp 0.10-0.25ds 0.81-0.87ds 0.81-0.87ds 1.94-1.10pm 1.00-7.00pm 0.50-0.10pm 1.15-1.11pm 2.25-25ds 1.28-1.38ds 9.09-12.00ds 2.10-2.40ds 0.43-0.30pm 0.43-0.30pm 0.43-0.30pm 0.88-0.80pm 0.88-0.80pm 0.88-0.80pm 0.88-0.80pm	437 -044 -262 -0,00 -0,16 -2,00 -2,00 -2,00 -2,00 -2,00 -1,61

EURO-CURRENCY INTEREST RATES									
June 28	Short, term	7 Oays notice	tine Month	Three Months	S2x Months	Our Year			
Sterling US Bollar Cont. Bollar Con. Bollar G. Galider Sw. Franc Destschmigh Fr. Franc E. Fr. (Flat A. Fr. (Clat Con.) Con. Con. Con. Con. Con. Con. Con. Con.	134-134 92-93 114-114 64-64 74-7-9 61-6-6 94-9 11-9 84-84 94-94 94-94 94-94	134-134 93-74 13-114 13	134-132 93-13-13 13-13-13-13-13-13-13-13-13-13-13-13-13-1	14-154 94-94 11-11-114 77-77-6 94-9-114 02-884 03-9-1-94 94-9-1-94	130 117 17 15 12 13 15 15 15 15 15 15 15 15 15 15 15 15 15	14-13-14-14-14-14-14-14-14-14-14-14-14-14-14-			

latan \$Steg	92-94	94-95	92-94	97-94	614-9	97-83
Long term Eurode 1-87, per cent somin	_					

EXCHANGE CROSS RATES											
<b>Jac</b> 28	£	\$	OM	Yes	FR.	S Fr.	N FI.	Lina	Cs	an.	
\$	0.643	1.556	1,058	222 142.7	10.37 6.665	2.429 1.689	3443	2210 1420	山勢	63.80 41.00	
DM	0.327 4.505	0.509 7.009	!1 13.77	72.60 1000.	3.391 46.71	0.859 11.84	1.126 1551	722.7 9955	0,609 8,367	20.8	
F Fr. \$ Fr.	0.964 0.381	1.500 0.592	2.949 1.164	214.1 86.47	10. 3.946	2534	3.320 1.320	2131 840.9	1.7%	61.52 24.25	
H FI. Lira	0.290 0.452	0.452 0.704	0.888 1.384	64.48 100.5	3.012 4.692	0.763 1.189	1.558	641.9	234E EH8.0	18.53 28.87	
C S O Fr.	0.537 1.567	0.836 2.439	1,642	119.2 348.6	5.569 16.25	1.411	1347	1187	2918	34.26	

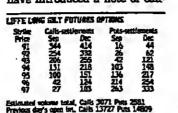
#### **FINANCIAL FUTURES**

#### Prices pause for breath

this front

THE FIRMER trend in short tious optimism, investors are sterling prices seen on short covering after better than expected UK trads data, tended to run out of steam yesterday. For these is little to cheer on the contract of a further. while the prospect of a further rise in bank base rates appears to have receded for the time being, there appears to be simi-lar reasoning to suggest that rates are unlikely to fall, at least until close to the year

While trade figures may have introduced a note of cau-



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	Mar		_	-	96-06	PEULS	CHE WA	NK (DIEN)	

Close High Low Pres. 103.32 103.36 103.27 103.74 102.77

Estimated Volume 3854 (LATE) Presions day's open Int. 15702 (LAZ79)

221.00 223.50 220.40 221.40 224.40 227.50 224.29 225.10 Estimated Volume 5604 (5733) Profess day's open bit. 25782 (25072) POUND-S GENERAL EXCHANGE 1-mil 3-mil 5-mil 12-mil 15505 1.5390 1.5210 1.4895 1500 BON STEPLING SE per S Latest High Low Pres. 15456 15520 15420 15496 15250 15320 15246 15530 15090 15136

#### **MONEY MARKETS**

## Steady, but cautious

UK INTEREST rates reversed a softer trend established during the morning to finish little changed from Tuesday's clos-ing levels. Rates were marked down at the start as sterling continued to benefit from better than expected May trade data. However, the pound's weaker tone towards the close lifted interbank rates from the day's lows, and the three-month rate finished at 14-13% per cent, unchanged from the close on Tuesday. While market sentiment is

probably less bearish now after the trade figures, the trend in interest rates is regarded as

#### UK clearing bank base leading rate 14 per cent from May 24

being less than clear. This was reflected in the yield curve on interbank money which is now flat from three months out to

one year. The Bank of England forecast a shortage of around £300m. Factors affecting the market included bills maturing in official hands and a take up of Treasury bills, together with repayment of any late assistance draining £118m. Exchequer transactions drained a further £25m while banks' balances were brought forward £40m below target. In addition, there was a rise in the note

circulation of £120m.

The forecast was revised to a shortage of around £250m but there was no assistance by the Bank during the morning. A further revision took the forecast to a shortage of around \$200m, and the Bank bought \$50m of eligible bank bills in band 1 at 13% per cent. Late help came to £80m, making a

total of £130m. In Frankfurt, the Bundesbank announced that it will not be holding a news conference after today's meeting of the central council. Opinion over the possibility of an early rise in West German interest rates remains fairly evenly divided.

The suthorities are clearly concerned about money supply growth and the inflationary implications of a weak D-Mark against the dollar. However, it may still be too early to see what effect recent increases in lending rates have had on the economy. On this basis, the Bundesbank is not expected to be pushed into an early rise in

In Brussels, the Belgian central bank added liquidity to the money market through 14-day repurchase agreements, but left its isnding rates unchanged. A total of BFr16.6bn was allocated against matnrities of BFr13.5bn; funds will enter the market tomorrow.

1.00 a.m. Jone 28	3 months US dollars	6 months US Dallars				
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	N	ONE	Y RAT	'ES							
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Cobile	_ 83.83	81.9	9.94	95.95	94.94	I -					
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Interbank Offer	143	13%	131	14	14	14					
interbank Bid	12	135	1313	133	13%	냂					
Sterling CDs		131	13 #	13%	强	135					
Local Authority Dep Local Authority Bon	134	131	134	14	14	13機					
Discount Mkt Deps.	13b	134	191	1112	1 :						
Company Deposits		13-2	1 133	133	132	132					
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JAN TIWES ASS 214			66	8.4	24	1 34					

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Against this hackground.
short sterling deposits for September delivery finished at
86.00, discounting a base rate of 14 per cent, and down from 86.12 at the opening and 86.10 on Tuesday. Long gilt futures retreated from the day's highs, but still managed to show a

PAKSASI.

CES, 000 (certs per EL) Estimated volume total, Calls 0 Puts 0 Previous day's open lat. Calls 190 Puts 9 LONDO

26-YEAR 9

US TREAS Previous day's spee (at, &318 (6517)

Estimated Volume 373 (441) Previous day's open (et. 965 (951)

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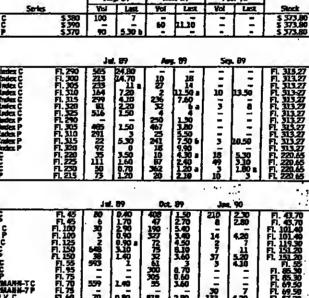
marginal improvement on the day, finishing at 94-14 for Sep-tember delivery against 94-13

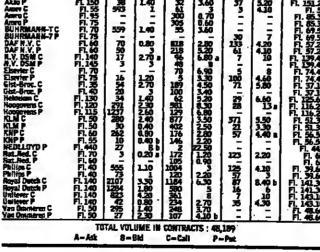
West German Government bond futures finished on a weaker note ahead of today's meeting of the Bundesbank cantral council. Some traders remain wary on the outside possibility of a rise in key lending rates. The September bond price closed at 94.80, down from 94.87 on Tuesday.

on Tuesday.

91.39 91.56 91.50 91.50 91.50 91.39 91.35

**EUROPEAN OPTIONS EXCHANGE** 





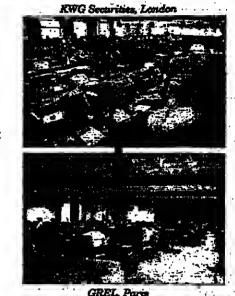
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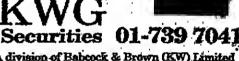
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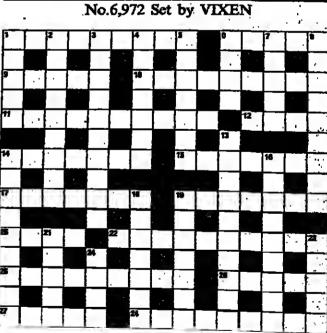


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In co-operation with GREL, Paris

**JOTTER PAD** 

#### **CROSSWORD**



ACROSS

1 Take the place of military personnel here (9)

6 Transport one or two (5)

9 A friend will stand by a scholar in a holiday resort (4)
7 A step to be effected without delay (5)
8 The foreign princess would be a choosy woman! (9)
13 Tried if car-smash causes manslaughter (10)
14 An article about ill-considered punishment (9)
16 An Australian, one with spirit, interrupting a bore (9)

(5)
19 Preacher's address quite some time after parking offence (9)
11 Found underworld guy really bright (10)
12 In future stay calm (4)

14 Carries out an operation on damaged pastern (7)
15 A suggestion to involve the queen causing a row (7)
17 Particular about coppers entering school (7)

entering school (7)

19 Alternatives when there's nothing in post for attention (7)

20 Poles having an accountant in view (4)

22 It's the same old story — but note the appeal! (16)

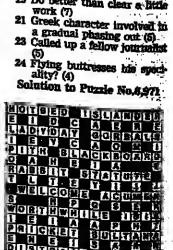
25 Out of order, and so tense

(9) 26 Man after personality and a perticular means of expres-

sion (5) 27 Cereal – a very small a mount (5)

mount (5)
28 Detain suspect (9)
DOWN

1 Russian capital paid out with quick result (5)
2 Vertical structures built to wear well in jettles (9)
3 Disappeared, having proved a tea-break necessary (10)
4 Get out of the closet – fast (7)



5 A massive rock split the

stream (7) 6 Report an improvement in

(9) 18 She'll have to adjust her

seat (7)
19 Do better than clear a little

the country's trade-figures

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Aug. 188	Page   Page	Description   Description	June 28	Section   Program   Prog
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It's attention to detail HATT REGENCY OF BRUSSELS FIR AND AL TIMES

It's attention to detail Marriott

## Dow falls in thin trade after bonds setback

**Wall Street** 

A SLOW morning on Wall Street saw stocks fall sharply in desultory trading as a weak debt market triggered profittaking in equities, writes Karen Zagor in New York.

At 2 pm the Dow Jones Industrial Average was down 30.16 points at 2,496.21. Trading was slow, and declining issues led those advancing by a ratio of about two to one.

At 1 pm the Standard & Poor's 500 index was down by 1.93 of a point. However, the American Exchange Composite rose 0.83 of a point.

The stock market weakened more sharply than the debt market, where the Treasury's henchmark 30-year hond shipped % point to 108H, yield-ing 6.11 per cent in midday trading. The Fed did \$1.5hn customer repurchase agree-ments when Fed fund were at

n per cent. The dollar did not give up any ground yesterday morning in spite of a move by the Federal Reserve to bolster the yen by selling dollars. At midday the dollar was Y142.95 and DM1.9645, against Y141.75 and DM1.9660 late on Tuesday in

The yen has been under-mined hy signs of political uncertainty in Japan. Mr Satoshi Sumita, governor of the Bank of Japan, said the US currency was now sharply

higher than the target Y133 set by the Group of Seven leading monetary nations. "We will take a determined stance in coping with (the high dollar) in the markets, when the need arises," he said.

A number of analysts expressed concern that the continued strength of the US currency would cut into the profits of IBM, Exxon and Merck, all of which rely on international sources for at least baif of their sales. However, Wall Street's reac-

tion to the projection was mixed, with shares in Merck falling \$1 to \$68% and Exxon dipping \$% to \$45%, but IBM

rising \$% to \$114%.
AT&T, another highly capitalised stock, dipped \$% to \$36 and General Electric was down 5% at \$53%

Although the decline in May's leading economic indicators was greater than the expected 0.9 per cent, the mar-ket was unmoved by the sign of a further softening in the US economy. Ten of the index's 12 components contributed to the downturn. April's rise in the indicators was revised to 0.6 per cent from 0.8 per cent. Not all economists agree that this signals a recession in the US economy, although the May decline is the third in the

at Carroll McEntee & McGin-ley, the index "needs sustained declines for over a year" to predict recession accurately. The White House said the indicators show a slower but healthy economy.

Shares in Time Inc dropped \$2% to \$160% after a judge refused a request by three shareholders to postpone Time's annual meeting tomorrow. They argued Time had failed to keep them fully informed of its intentions to take over Warner Communica-

Warner, whose recently released Batman film has been a box-office hit, added \$1/2 to \$59% on the news. Paramount, whose hid for Time was rejected earlier this week, was up \$1% at \$60%.

Union Carbide was the most active issue in midday trading on the New York Stock Exchange, with shares down \$% at \$26%.

A number of blue chip issues fell, including Boeing, which dropped \$1% to \$49%, Philip Morris, down \$1 at \$140%, Johnson & Johnson, off \$% at \$50, and Bristol Meyers, which fell \$% to \$49%.

Canada

THE ANNOUNCEMENT of weaker-than-expected US economic indicators data caused an early slip by Toronto stocks which were mixed at midday. The composite index fell 6.3 to 3,772.0 with advances lead-

ing declines by 246 to 198 on volume of 15m shares. Nova lost ground again after cutting its earnings forecast earlier this week. It weakened

C3% to C39%. BCE Development fell 5 cents to C\$2.73 after a large rise on Tuesday when Olympia and York offered to buy all outstanding common shares for C\$2.80 each.

# Foreigners face Malaysian stocks shortage

last four months. According to Mr Lacy Hunt, chief economist

Wong Sulong on the drawbacks and potential of one of this year's best performers

HE MALAYSIAN stock market has been one of the world's better performers this year, but foreigners may he hindered from building np investments there because of a shortage of top

quality stocks. The problem arises at a time when the market is expected to make further progress after a sharp correction due to the tur-moil in China. The Kuala Lumpur stock exchange composite index of 83 shares has already recovered some of the losses it suffered during the bloodshed in Peking, which set markets trembling throughout the Asia

Pacific region.

By Tuesday's close, the index stood at 442.85 points — a gain of 24 per cent this year — after falling to 420.97 on June 8. Just six days earlier, on June 2, it had reached a post-crash peak of 458.28. Malaysia has been the seventh best performer so far this year among the 24 countries covered by the FT-Actuaries World indices, with Singapore slightly ahead of it.

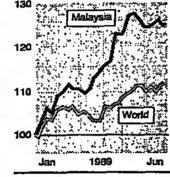
Foreign interest in the mar-ket is high, but so are the obstacles. Two favourite com-panies - Malaysian International Shipping Line and Public Bank Berhad - recently announced that foreign owner ship in their equity had reached the maximum 30 per cent allowed. Prospective huy-ers will have to wait for other foreign investors to sell out before they can register their shares, and this has led to a sharp reduction in their trad-

ing volumes.
Foreign investment in other favourites, such as Sime Darby, Malaysian Airline System and Kuala Lompur-Kepong, is also at a very high level, and the only new hlue chip listing on the horizon is that of Kumpulan Guthrie, the huge plantation group that is currently owned by Permoda-ian Nasional Berhad (PNB), the government equity corpora-

PNB is selling 100m shares, or 10 per cent, of Kumpulan Guthrie, to the Malaysian public at 2.1 ringgit (78 cents) each, and the shares are expected to be listed in mid-August. Later, it plans to place another 150m Guthrie shares with foreign institutions at a price to he determined. The Guthrie flotation will be the

biggest in the market.

FT~A World indices in local currency terms



Mr Lee Siang Chin, chief executive of Arab-Malaysian Securities, believes that Guthrie shares will appeal particularly to Japanese investors who are new to the Malaysian market.

"They see investing in plantations as putting money in real estate," he said. Japanese interest in Malaysla is already growing. Arab-Malaysian Merchant Bank, the parent of Arah-Malaysian Securities, recently launched a Malaysia Fund in

subscription of \$45m. However, analysts point out that there are likely to be few offers like Kumpulan Guthrie,

because many blue chip Malaysian companies prefer to remain private. This is because present government policy dictates that before obtaining a listing they have to sell at least 30 per cent of their equity locally at what the owners consider to be ridiculturally low mises.

ulously low prices. Encouraging prospects for the Malaysian market this year are based partly on rapid eco-nomic growth. The economy is officially forecast to grow hy 8 per cent this year after 8.1 per

cent last year. Price earnings ratios of the top 50 Malsyslan companies are at about 20, compared with 25 last year, and are still considered attractive because of good earnings prospects.

In addition, there is now a fair degree of political stability.

Dr Mahathir Mohamad, Prime

Minister, has become a less controversial figure and, after his recent successful heart bypass operation, looks set to lead the country for at least another five-year term. Further supply should even-

tually come on to the market as Mr Samy Velln, the new energy minister, pushes ahead with the privatisation of the electricity board, telecommuni-cations and postal services. The crackdown in China

may actually benefit Malaysia if investors divert some of their planned investments from China and Hong Kong to Kuala Lumpur, Singapore and

n the other hand, the npheaval in China could have a negative impact on Malaysia's leading export commodities - rubber and palm oil - of which China takes a large share. Prices of these commodities - rubber and palm oil - of which China takes a large share. these commodities, moreover, will weaken further if there is a slowdown in the US

Some foreign fund managers are also uncertain about the Government's plans after the expiry of the existing 20-year New Economic Policy next year. But the meetings of the National Economic Consultative Council, charged with formulating a new long-term eco-nomic plan, have been stressing growth before the redistribution of income.

## Germany shrugs off early jitters over Daimler issue

MOST bourses had a stronger and busier session yesterday, although some nervousness over interest rates remained,

writes Our Markets Staff.
FRANKFURT put its brief spell of consolidation behind it and proceeded with its climb. The market suffered a touch of nervousness in the morning after Daimler announced its rights issue, hnt the mood changed after news of a strong rise in May machinery orders,

said one analyst.

Blue chips performed well,
and the DAX index gained
13.50 to 1.491.39. The FAZ
picked up 3.38 to 617.83. Turn over was active at DM6.21bn, well up on Tuesday's levels.
Concern about a possible interest rate rise, which contributed to small declines earlier this week, cooled a little. Investors have been fearful that the Bundeshank might

raise rates at its meeting today or in the near future.

Daimler shares recovered after opening lower on news of its planned one-for-10 rights issue. The rights issue was at first a little shock, but there was no selling," said the analyst. The share price had rebounded, he added, because the fact that Daimler wanted to

raise further capital had come as no great surprise.

Daimler, the second most active stock, said group turn-over had risen 3 per cent in the first five months compared

with the same period in 1988 and predicted slightly higher turnover this year. Its shares rose DM4.20 to DM719. Machinery stocks were bol-stered by news of last month's 19 per cent increase in engineering orders, compared with May 1968. MAN gained DM6.50 to DM334 and Linde rose DM14.50 to DM763.

RWE, the utilities group, advanced DM16.40, or 4.7 per cent, to DM334.90. The company continued to benefit from the cancellation of a nuclear waste plant project, for which it had set aside cash in its

RWE's name has also been entioned as a potential buyer of Preussag, which rose DM5 to DM318 on continued takeover PARIS had an uncertain day, initially reacting well to news on the corporate front but fall-

nervousness about higher interest rates returned. The decline in the US leading economic indicators appeared good news, but Wall Street's early losses depressed French

shares further. The OMF 50 index ended just 0.80 easier at 501.02 after reaching a day's high of 503.82. The CAC 40 real time index lost 6.08 to 1,752.40, while the opening CAC General index showed a 1.5 gain to a new all-time high of 488.40.

Volume remained subdued, estimated at below FFr2bn. Rif Aquitains was a feature following its forecast late on Tuesday of sharply higher first half profits. It gained FF17 to FF1545 and, as one of the largest capitalised stocks, gave the

est capitalised stocks, gave the market an early boost.

Peugeot lost FFr16 to FFr1,725 after a bullish annual general meeting, at which the company said it should achieve its target share of at least 13.7 per cent of the European market this year. The stock had risen strongly in the rise in to the property. risen strongly in the run-up to the meeting and one analyst suggested: "Maybe somebody was expecting a different kind

of news."
Crédit Lyonnais added FFr?
to FFr640 following an analysts' meeting in London on Tuesday, with some foreign demand reported but volume not particularly high.

MADRID recovered further ground as selective demand for banks helped to lift the general index by 1.28 to 312.08. Volume falled to improve much, how-ever, at around \$100m.

Popular rose 15 percentage points to 1,855 of nominal mar-ket value and Central put on 10 to 999. Speculation that banks would have to increase their cash coefficients - the amount of assets they have to put in low-yielding securities — has depressed the sector recently; the banks have also underperformed over the longer term,

#### **SOUTH AFRICA**

UNDERLYING sentiment remained bullish in spite of the fact that gold shares closed lower in thin Johannesburg trading yesterday, reflecting an easier bullion price and and "this may have led some people to look at them," said an analyst.

Stocks listed in New York performed well following Wall Street's strongth on Tuesday, with Telefonica up 2 at 201.5. MILAN moved higher in a busier session as interest in Fiat enlivened the market. The Comit index added 1.25 to 647.90. Fiat, which holds its

L10,765, rising to L10,760 after the official close. ZURICH ended higher, pulled off its early lows by post-tion-squaring at the close of the first half year. The Credit Suisse index rose 5.0 to 609.7 in

annual meeting tomorrow, gained L345, or 3 per cent, to

moderately active trade. Bearers of Brown Boveri, the engineering group, gained SFr225, or 4.9 per cant, to SFr4.350. The company it jointly owns with Asea of Sweden, Asea Brown Boveri, has

ten, Asea Brown Boveri, has won a SKröhn power plant construction contract in India, with Skanska of Sweden.

STOCKHOLM rose in high turnover worth SKrölffsz which was boosted by a large internal deal in Saab-Scania's voting A shares. Some 103,524 shares worth SKröm changed hands, but the share finished unchanged at SKrölf.

Skanska, which has secured a hoge Indian contract, saw its free B shares add a further SKr12 to SKrölf.

The Affarsvärlden General

The Affarsvärlden General

index rose 7.8 to 1,228.0.
BRUSSELS finished mixed to BEUSSELS finished mixed to higher in moderate trading with the specifical again failing on Cockerill, the steel maker which on Tuesday said it was considering a capital increase later this year. It climbed BF112 to BF1374 on a hefty increase of 29 000 shortes. turnover of 29,000 shares. The cash market index rose

5.2 to 6,120.94. · AMSTERDAM ensed slightly after & dull, low-volume day with stock of Boyal Dutris and Volume, the software company, advancing against the trend. Turnover was FI 747m.

Royal Dutch, the most actively traded stock, added 90 cents to FI 141.30.

The CBS tendency index

The CBS tendency index shed 0.3 to 1903 in what one analyst described as "one of the most boring days on the exchange over the past six months."

## Resignation hints exacerbate selling mood

#### Tokyo

SPECULATION that Prime Minister Sousuke Uno might

resign sent the Japanese stock market lower yesterday, writes Yuriko Mita in Tokyo. investors, also discouraged by the weak yen, sold heavily in the morning, although the market managed to regain some of its losses in the after-noon. The Nikkei average fin-ished 223.61 down at 33,245.60. after reaching a low of 32,952.01. The day's high was

33,430.61. Volume, at 612m shares, was slightly higher than Tuesday'a 570m. Declines led advances by 655 to 268, while 161 issues

The Topix index of all listed shares dropped 15.51 to 2,466.23. In London the ISE/ Nikkei 50 index was off 0.15 from the Tokyo close at

Hints that Mr Uno might resign and the continuing unstable political climate were the main factors keeping inves-tors in a selling mood. The rul-ing Liberal Democratic Party could suffer large losses in elections to the Tokyo city

Latest prices were unavailable for this edition.

council on Sunday, and further revelations about Mr Uno's st affairs are expected in the next few days. In the circumstances, analysts said, investors had found it difficult to

take new positions.

The yen's fall throughout the day also discouraged investors. The Bank of Japan's intervenfour times failed to halt the

High technology issues were some of the bright spots, espe-cially those related to the development of magnetic levitation trains. Buy orders for these issues helped the market recoup some of its losses in the

Showa Electric Wire and Cable rose Y30 to an all-time high of Y1,440 and Tatsuta Electric Wire and Cable added Y80 to Y1,120, a high for the year. Shinko Electric was the second most actively traded, going up Y10 to Y1,130 on robust volume of 16.7m shares. The first and third most actively traded issues were the shipbuilders Mitsubishi Heavy Indostries and Kawasaki Heavy Industries. Mitsubishi, which hit a record high of Y1,250 last Friday, closed down Y30 at Y1,180 with 16.8m shares changing hands. Kawasaki closed at Y1,150, down Y20, on a turnover of 15.3m

The Osaka Stock Exchange average fell about 203 points to close at 32,500. Volume was

74.3m shares.

THERE were advances in most of the leading markets, although the level of activity

varied greatly AUSTRALIA was boosted by demand for individual stocks, the overnight rise on Wall Street and a decline in the Australian dollar. There was also active trade in stocks with options expiring today.

The All Ordinaries index

gained 10.5 to 1,519.0 on turn-over similar to Tuesday's at 106m shares worth A\$167m.
Market leader BHP, which is
due to report annual profits tomorrow, gained 20 cents to A\$8.74. Bond Corp was volatile,

losing 8 cents before rebound-ing to close 2 cents higher at 92 Resource issues henefited from the weak local dollar,

CRA rose 14 cents to A\$8.64, Bougainville Copper gained 6 cents to A\$1.98 and Western Mining advanced 4

HONG KONG edged higher after a dull day, with the Hang Seng index up 12.40 at 2.245.05 in volume worth HK\$552m.

Hongkong Telecom, the country's largest issue, was the second most active stock on demand from US fund managers, rising 12.5 cents to HK\$4.45. Most active was Cheung Kong, up 5 cents at

SINGAPORE had an active session in which most shares moved higher. The return of institutional investors helped the Straits Times industrial index gain 16.82 to 1,308.44 in volume of 145m shares, np from Tuesday's 88m.

TAIWAN recovered some more of the ground lost on Monday, with the weighted index rising 125.59 to 9,422.69, although volume was lighter

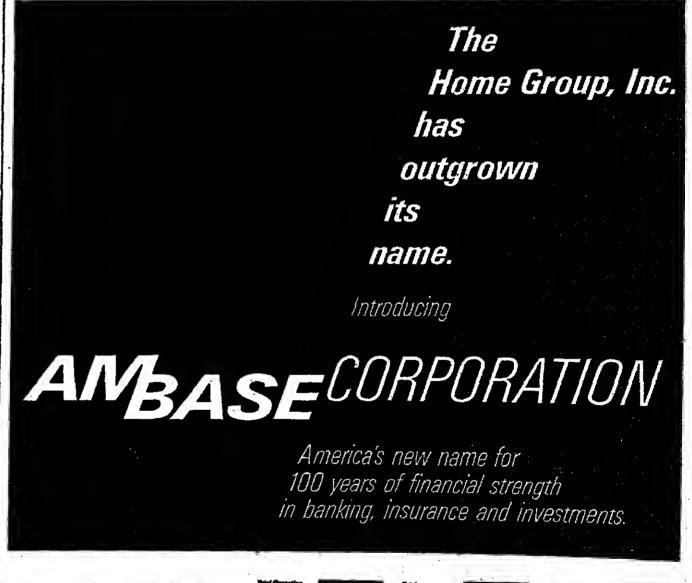
although volume was lighter than on the previous day. SEOUL declined for the seventh session in a row, with the 866.48 in slow trading. One fac-tor behind the losses is a lack of institutional liquidity.

#### which encouraged overseas FT-ACTUARIES WORLD INDICES

Jointly complied by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS _	TUESDAY JUNE 27 1989						MONDAY JUNE 26 1989			DOLLAR MOEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Starting Index	Local Currency Index	1989 High	1969 Low	Year ago (approx
Australia (84)	131.96	- O.S	124.97	114.53	~0.1	5.15	132.78	127.42	114.68	157-12	128.28	140.43
Austria (19)	121.08	-0.9	114.67	122.58	-1.4	221	122.22	117,29	124.34	124.16	92.84	85.10
Belgium (63)	129,29	+0.5	122.45	130.57	+0.1	4.19	128.66	123.46	130.40	137.10	125.58	119.50
Canada (123)	141.17	+0.2	133.69	122.08	+0.2	3.28	140.95	135.28	121.87	141.80	124.87	127.93
Denmark (38)	197.21	+0.8	186.77	203.99	+0.7	1.65	195.59	187.69	202.64	197-21	165.35	128.20
Finland (26)	140.23	+0.1	132.80	128.78	-0.2	1,63	140.13	134.47	129.01	159.16	125.81	132.73
France (128)	120.76	-0.1	114.36	125.64	-0.2	3.02	120.92	116.03	125.90	122.79	112.57	95.39
West Germany (100)	88.96	-0.7	84.25	90.46	-0.8	2.25	89.59	85.98	91.15	90.72	79.58	74.55
Hong Kong (49)	92.75	1.7	67.83	92.80	-1.7	5.77	94.36	90.55	84.41	140.33	88.41	107.00
Ireland (17)	134.59	+0.6	127.46	138.83	+0.5	3.03	133.82	128.42	138.19	151.38	125.00	135.83
Italy (97)	83.52	-o.e	79.09	88.19	0.7	2.52	83.99	80.60	88.82	86.88	74.97	71.42
Japan (455)	177.15	-0.6	187.77	158.00	-0.4	0.50	178.25	171.05	158.65	200.11	164.22	162.52
Malaysia (38)	179.58	+0.4	170.07	186.87	+0.5	2.57	178,81	171.58	185.93	185.03	148.35	151,39
Mexico (13)	264.08	-0.2	250.09	718.95	-0.2	0.70	284.53	253.84	720.15	271.98	153.32	169.04
Netherland (42)	120,89	+0.7	114.48	121.52	+0.6	4.26	120.02	115.17	120.79	122.22	110.63	103.87
New Zealand (24)	66.58	1.5	63.05	60.97	0.9	6.09	87.57	64.84	61.50	78.02	62.64	79.88
Norway (26)	161.12	-0.7	171.53	174.98	-1.0	1.48	182.34	174.97	176.71	198.39	139.92	122.51
Singapore (26)	159.79	+0.5	151.33	143.92	+0.6	1.93	158.93	152.51	143.04	161.98	124.57	123.42
South Africa (60)	148.39	-15	140.53	132.66	-0.1	4.03	150.71	144.62	132.84	150.71	115,35	121.38
Spain (43)	148.43	+0.5	140.57	139.49	-0.1	3.53	147.62	141.66	139.57	158.17	143.14	154.97
Sweden (35)	165.94	+0.5	157.15	162.56	+0.3	2.11	165.19	158.52	152.13	185.84	138.45	117.14
Switzerland (57)	79.79	-0.3	75.56	83.30	~0.3	2.31	80.04	76.80	83.56	81.29	67.81	79.31
	142.28	+2.4	134.74	134.74	+1.0	4.34				153.33		
United Kingdom (314)							139.00	133.39	133.39		138.28	192.75
USA (555)	133.83	+0.5	126.74	133.83	+0.5	3.38	133.11	127.74	133.11	139,83	112.13	111.06
Europe (1005)	119.15	+0.9	112.64	117.36	+0.3	3.50	118.05	113.28	117.04	121,70	112.63	108.10
Nordic (125)	161.38	+0.4	152.83	154.85	+0.2	1.83	160.68	154.19	154.49	161,38	137.95	113.68
Pacific Basin (674)	172,33	<b>−0.6</b>	163.21	153.99	-0.4	0.74	173.43	186.42	154.63	194,72	160.44	159,44
Euro - Pacific (1679)	151,13	0.1	143.13	139.29	-0.2	1.62	151.33	145.22	139.56	164.22	141.56	138,12
North America (678)	134.17	+0.5	127.07	133.10	+ 0.5	3.35	133.49	128.10	132.42	134,17	11279	111.98
Europe Ex. UK (691)	104.49	-0.1	98.95	106.63	-0.3	2.85	104.62	100.40	106.93	105.57	96.30	89.54
Pacific Ex. Japan (219)	114.70	~õ.ė	108.62	103.99	0.5	5.00	115.67	110.59	104.53	137.65	111.93	122.32
World Ex. US (1675)	150.83	0.1	142.84	138.86	0.2	1.70	151.03	144.93	139.11	162.77	141.49	137.84
World Ex. UK (2116)	143.91	· 0.1	136.29	137.38	+ 0.0	2.05	144.10	138.28	137.43	146.04	136.98	126.80
World Ex. So. At. (2370)	143.73	+ 0.1	136.11	137.15	+0.1	2.24	143.59	137.79	137.07	146.65	136.67	127.35
Norld Ex. Japan (1975)	128.01	+0.6	121.23	126.51	+0.4	8.47	127.26	122.12	126.03	128.01	114.51	110.46
The World Index (2430)	143.75	+ O.1	198.14	167.11	+0.1	2.25	143.63	137.83	137.04	146.51	136.68	127.32

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For information on European investor meetings scheduled July 3 through July 7, 1989, contact Alan Bulmer, Georgeson International, London; telephone 01-588-6050, fax 01-920-9405.